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Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the Third Report of the Commission of the European Communities on Competition Policy (Doc. 118/74)

Rapporteur: Mr Helmut ARTZINGER

PE 37.843/fin.

English Edition

By letter of 24 May 1974 the Commission of the European Communities forwarded to the European Parliament the Third Report on Competition Policy ('Annex to the Seventh General Report on the Activities of the European Communities').

On 6 June 1974 the European Parliament referred this report to the Committee on Economic and Monetary Affairs as the committee responsible and the Committee on Energy, Research and Technology and the Committee on Regional Policy and Transport for their opinions. The Committee on Social Affairs and Employment was also asked for its opinion but declined.

The Committee on Economic and Monetary Affairs appointed Mr ARTZINGER rapporteur on 7 June 1974. It considered the report at its meetings of 20/21 June, 5/6 September and 3/4 October 1974.

The committee unanimously adopted the motion for a resolution and the explanatory statement on 4 October 1974.

The following were present: Mr Lange, chairman; Mr Artzinger, rapporteur; Mr Bersani, Mr Bousch, Mr Cifarelli, Mr Hansen (deputizing for Mr Nørgaard), Mr Hougardy, Mr Kavanagh (deputizing for Mr Van der Hek), Mr Krall, Mr Leenhardt, Mr Marras (deputizing for Mr Leonardi), Mr De Keersmaeker (deputizing for Mr Mitterdorfer), Lord Reay, Mr Scholten and Mr Schwörer.

The opinions of the Committee on Energy, Research and Technology and the Committee on Regional Policy and Transport are attached.

C O N T E N T S

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the Third Report of the Commission of the European Communities on Competition Policy

The European Parliament,

- having regard to the Third Report of the Commission of the European Communities on Competition Policy (Doc. 118/74);
- having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Energy, Research and Technology and the Committee on Regional Policy and Transport (Doc. 290/74);

1. Recognizes that the Commission of the European Communities has made progress towards achieving a common competition policy;
2. Notes that the Commission is endeavouring to develop and bring about the application of procedural rules for cooperation between the Community authorities and the national authorities concerned with competition; believes, however, that in the long term it is necessary to work out binding rules on the relationship between internal national legislation and Community legislation;
3. Urges the Commission to make available to it in future the reports made by the Member States to the OECD on the development of their individual competition policies;
4. Points out that competition policy and consumer protection policy are closely connected; urges the Commission to include in the reports on competition policy statements on the competition policy aspects of the intensified efforts to improve consumer protection;
5. Welcomes the Commission's attempts to outline basic rules for judging selective marketing systems;
6. Reiterates its request to the Commission that an unambiguous policy on licensing contracts for patents and know-how should be worked out and reported on in detail in the next annual report;

7. Supports the Commission's efforts to investigate actual cases of restrictive export practices, and recommends it to propose trade policy measures against third countries which might be required in the interests of the Community;

8. Looks to the Commission to prohibit in the future also agreements between manufacturers and consumers designed to prevent competition and free movement in respect of certain products within the Community;

9. Urges the Commission to further the development of Community discipline in regard to national subsidies by consistent application of the rules on subsidies contained in the Treaty, which take account of national and social problems, and to submit a review of the various state aids granted in individual countries;

10. Believes that for competition policy reasons, regional aid ought to be transparent and measurable, and in addition refers expressly to paragraph 9 of its resolution of 15 January 1974;

11. Urges the Council, in view of the increase in the degree of concentration, to adopt by the beginning of 1975 the proposal for a regulation on the control of concentrations between undertakings in the form approved by Parliament;

12. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

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EXPLANATORY STATEMENT

1. As the Committee on Economic and Monetary Affairs has already stated (cf. its opinion on the Seventh General Report), competition policy is the only field falling within the committee's terms of reference in which substantial progress has been made in 1973 and the wishes of the European Parliament have been satisfactorily taken into account. An example of this is the Commission's proposal, advocated by the European Parliament, for a Council regulation on the control of mergers between undertakings. Parliament asked the Council to deliver its opinion on this proposal by the beginning of 1975, and the Council has undertaken to do so.[1]

2. The Third Report emphasizes that in the field of competition there can be no question of the Commission confining itself to the application of a fixed policy. Instead, progress should take the form of gradual further development.

Although it must be conceded that the formulation of a common policy in many fields is difficult, concepts should nevertheless soon be worked out in certain areas. This applies, for example, to cooperation agreements between undertakings and various forms of state aid. The Commission itself comes to the conclusion that 'the jurisdiction which has so far been evolved by the Commission and the Court of Justice in applying Article 85 of the Treaty.... 'is resulting in some measure in a reasonably clear understanding of what is permissible' (paragraph 4), and there are also indications that undertakings have begun to gear their activities to the competition policy desired by the Community. The Commission should consider how such developments can be further encouraged. Clear concepts would make it easier for the undertakings concerned.

3. In its report on the First and Second Reports the Committee on Economic and Monetary Affairs expressed the wish that the Commission should submit proposals on the differentiation of the fields of application of Community and national legislation in the sphere of competition policy on the basis of the provisions of Article 87(2)(e) of the EEC Treaty. The Commission states, interalia, that this raises a series of complex legal problems, which will be discussed for the first time in 1974 with national experts on restrictive practices (paragraph 6). The Commission also believes that initially an informal improvement of existing consultation procedures and an intensification of the exchange of information would be useful.

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[1] OJ No. C 117, 31.12.1973, para. 7.

Your committee welcomes the fact that the Commission is endeavouring to achieve progress in this way but believes that in the long term it is necessary to work out rules for the relationship between these two forms of legislation on a more formal legal basis. The committee will return to this question next year. It recommends also that the reports by the Member States to the OECD on the development of their competition policies should be made available to the European Parliament.

4. The report of the Committee on Economic and Monetary Affairs on the Second Report on Competition Policy and the relevant opinion of the Committee on Social Affairs and Employment mentioned several points of view in connection with consumer protection policy. In the committee's opinion competition policy and consumer protection policy are closely connected; it therefore regrets that the Third Report makes no mention of developments in consumer protection policy. This is due to changes in departmental responsibilities within the Commission. The Committee on Economic and Monetary Affairs asks the Commission in future to draw up an annual report on the development of consumer policy which can be studied at the same time as the annual report on competition policy.

Competition policy towards enterprises

5. The Commission is very cautious in the expression of its views on selective distribution systems. The report states that the Commission cannot approve selective distribution systems on a territorial basis which conflict with the aims of the Common Market. Two 'typical' reasons which have been advanced to justify selective distribution systems are quoted: the need to provide pre- and post-sales services through a network of highly trained dealers and the need to preserve the exclusivity of a minority market for luxury or prestige-brand products.

In the Third Report the Commission seeks to outline several basic rules, whereas policy had previously been chiefly expressed through decisions in individual cases. The Commission's views can be accepted. The desire to preserve a minority exclusive market should not weigh heavily in the decision on whether a selective distribution system has in practice been framed in the interests of the consumer. The Commission is asked to study this problem in greater depth.

6. The section on patent licensing and know-how agreements leaves something to be desired. The European Parliament has for some time been attempting to obtain clarification of the Commission's policy in this field. The Commission told the committee that this was a particularly difficult problem but that the next annual report on competition policy would probably contain a section under this heading.

The Committee on Economic and Monetary Affairs has stressed several times how important it is for the Commission to develop an unequivocal policy in this field. In practice, licensing agreements sometimes place restrictions on free competition which are not necessary from the point of view of the protection of industrial property rights.

7. As regards the special situation in the oil market at the end of 1973 the report states that the shortage of supply and national regulations have created a situation in which supplies to independent distributors have been jeopardized and substantial price disparities have arisen between purchasers and between national markets. The Commission accordingly decided to open investigations into producer companies and dealers in the oil industry.

The Commission told the committee that the results of these investigations would probably be available by the end of 1974. The committee therefore deferred further discussion of this point until the report is submitted.

8. The report tackles the problems connected with the activities of multinational companies exclusively from the point of view of competition policy. Since the committee is at present drafting a separate report on the Commission's communication on multinational companies, we shall confine ourselves here to two points.

In the first place the Commission states that no practical difficulties in applying competition rules within the Common Market have arisen in the past from the fact that a firm is multinational. The Commission explained to the committee that it had had no problems in checking that the provisions were observed.

Secondly, your committee welcomes the fact that the Commission will continue, within the framework of the OECD, to take part in international cooperation on the control of restrictive trade practices and dominant market positions. It is clear that cooperation in this field within the framework of the OECD offers even greater scope than cooperation within the Community.

9. In the section on auto-limitation agreements (paragraph 20) the Commission distinguishes between export agreements imposed on firms in non-member countries by the governments and voluntary export restraint agreements between firms in non-member countries alone or between such firms and corresponding European firms. The former are not subject to the Community's competition rules provided that the quantities to which the restraint applies can be freely disposed of within the Community. Any countermeasures must be taken within the framework of trade policy. On the other hand voluntary export restraints are subject to the provisions of Article 85 (EEC).

The Committee on Economic and Monetary Affairs supports the Commission in its efforts to investigate individual cases of restrictive export agreements and recommends it to take any trade policy measures against non-Community countries which might be in the general interest.

The committee also expects the Commission to examine the question of countering agreements between manufacturers and consumers within the Community which are designed to prevent the re-export of products. Such agreements, whose existence is difficult to prove legally, help to explain why prices for the same article can still differ to quite a large extent from section to section of a market.

10. In the notes on the European Parliament's resolution on the Commission's First and Second Reports on Competition Policy[1], the committee thoroughly discussed the problem of the coordination of investments, particularly within specific economic spheres. In the Third Report the Commission deals with this problem extremely briefly; it has reservations about private agreements on the coordination of investments but does not rule out the possibility that a different standpoint might be adopted in exceptional cases, for example in sectors with special problems.

In the committee's opinion undertakings should take decisions on investments on their own economic responsibility.

However, the problem assumes a different form with the acceptance or even encouragement of public investment aid in more and more branches of industry. Public investment aid, particularly especially in sectors where the development of production technology calls for the creation of larger and larger production units - and particularly if competitors are unaware that such aid has been granted, would lead to increasing distortion of the conditions of competition. The Committee on Economic and Monetary Affairs therefore maintains its view that market analyses and forecasts of

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[1] PE 31.092 fin. and Doc. 264/73, cf. also the European Parliament's resolution of 7.6.1971.

supply and demand could be useful in certain sectors. These should be a prerequisite in sectors benefiting from public investment aid. In this connection it should be noted that such market analyses and forecasts are contained in the Commission's proposal for a third directive on aid to the shipbuilding industry. The Commission's communication on the problems of the paper industry, on the other hand, contains no such proposals although the Member States are indirectly asked to provide investment aid for the paper pulp industry.

11. For the first time the main section on the most important practical decisions taken by the Commission contains a sub-section on the abuse of a dominant position relative to demand (paragraph 67f). The Commission emphasizes that the abuse of a dominant position relative to demand is not only of theoretical importance but also of practical significance in relation to certain markets.

The Commission is of course right to take action against the abuse of a dominant position relative to demand, as it has already done in several cases (paragraphs 67 and 68). Such problems are becoming increasingly frequent in widely differing fields, for example in the market for shotgun cartridges and in the exploitation of inventions; the Committee on Economic and Monetary Affairs therefore asks the Commission to pay particular attention to this problem.

Competition policy and government assistance to enterprises

12. The Third Report clearly shows that considerable difficulty still attaches to the framing of Community rules for state aid with regional or sectoral objectives. The enlargement of the Community has not made the problem any easier. The Commission had to do a great deal of work simply to understand the aid rules of new Member States more fully.

For regional policy problems in particular, the reader is referred to the opinion of the Committee on Regional Policy and Transport. Several aspects should however be mentioned here. An effective regional structural policy is an essential condition for the achievement of economic and monetary union. It is therefore regrettable that considerable difficulties have arisen in connection with the formulation of a common regional policy. These difficulties are connected with both the definition and the order of priority of the various regions and financing activities. The reader is referred to the European Parliament's resolution of 12 February 1973[1], which aims at replacing the classification into two groups (central and

[1] OJ No. C 14/1973; see also the report of the Committee on Economic and Monetary Affairs on the Commission's Second Report on Competition Policy (Doc. 264/73).

peripheral regions) by a system of classification permitting an adjustment of aid to the economically and socially backward regions.

The Committee on Economic and Monetary Affairs feels that it should also draw attention to the Commission's statement, in its communication to the Council of 28 November 1973, concerning methods making it possible to formulate regional aid in the Community in a measurable fashion (paragraph 83). This is particularly important from the point of view of competition policy.

13. Although regional policy is treated as an entity in itself, the remarks on aid rules with sectoral aims are rather scattered in the Third Report. In no section has there been any attempt to sketch general principles; on the other hand, aid, inter alia, for various branches of industry is discussed.

The Committee on Economic and Monetary Affairs has recently delivered its opinion on aid to the shipbuilding industry, using this opportunity to put forward more general points of view on the structure of the future industrial policy.

Regional and industrial policy should not be considered separately. Both form part of an overall policy for achieving a strong and balanced economic structure.

The individual states have rules, in both regional policy and industrial policy, by which financial aid can be granted. The adoption of common rules in these fields admittedly raises considerable difficulties. It must however be emphasized that the most important provision of Article 92 of the Treaty of Rome prohibits state aid which 'distorts or threatens to distort competition'. Other provisions, in particular Article 92(3), make exceptions for cases in which state aid is permissible. The aim should be to continue to work on this basis.

14. The Committee on Economic and Monetary Affairs will support the Commission in its attempt to obtain the greatest possible transparency in regard to all types of aid rules. The purpose is not to create a framework for the abolition of aid rules, particularly not in the regional policy field, but primarily to contribute to the elimination of the competition-distorting effects of state aid, which become worse the less competitors know about the aid granted. In addition, the various state aid rules with sectoral aims can hardly be harmonized or abolished unless their extent is fully known.

The Commission is asked to forward to the European Parliament - despite the technical and political difficulties involved - a survey of the various state aids granted in individual countries and sectors.

15. As mentioned above (cf. paragraph 10), the Commission still has reservations about information and forecasts on market development and production capacity. However, from the point of view of competition policy the question arises as to whether the granting of aid should not at least be subject to appropriate notification as a minimum requirement, so that state investment aid can be granted in accordance with the exemption provisions of Article 92(3) of the Treaty. This would mean that competitive undertakings within the Community could gear their investment plans - for example with the aid of the Commission's forecasts - to plans in other countries for which state aid is to be granted.

The Commission is to be fully supported in its attempt to harmonize the different national aid rules. However, because of the lack of results in this field, the Commission should be asked to intensify its efforts towards greater harmonization of national aid rules. The Committee on Economic and Monetary Affairs would welcome such action since it believes it would be dangerous to accept the different national aid rules and to make them an essential component of Community policy towards branches of industry in difficulties.

The Committee on Economic and Monetary Affairs therefore asks the Commission to consider adopting structural guidelines laying down rules for when, how and to what extent the Member States should, could and must give financial aid for the restructuring of a branch of industry.

16. It is pleasing to note that the Commission is continuing with its efforts to abolish and not simply to adjust state monopolies of a commercial character; only in this way can the discrimination between nationals of Member States as regards the conditions under which goods are procured and marketed, which is forbidden under Article 37 of the EEC Treaty, be eliminated. The Commission notes that France has abolished its match monopoly and its gun powder and explosives monopoly, while Italy has put an end to its monopoly of cigarette paper and adjusted its salt monopoly. France and Italy have also undertaken to abolish their monopolies on tobacco products at the latest by the end of 1975. It should however be pointed out that we are dealing here only with the abolition of monopolies of a commercial character; production monopolies, which do not come under Article 37, remain unchanged.

Conclusions

17. The Third Report contains a particularly useful section on the investigations into the development of concentrations in the Common Market. The Commission notes 'a clear, and in some industries an alarming, increase in the degree of concentration' (paragraph 26), and concludes (paragraphs 159 - 160):

'The latest results of the Commission Research programme on concentration confirm, and provide further evidence for, the conclusions reached in the second competition report:

- In the Community, the degree of concentration varies widely from industry to industry and country to country.
- In the reference period, almost all industries in almost all the countries were undergoing a process of concentration which was gathering momentum. The number of competitors declined.
- There was an increase in the number of national and international cooperation agreements and interlocking arrangements.
- Dominant positions occurred more and more frequently on homogeneous submarkets.
- Highly concentrated industries made a smaller contribution than less concentrated industries to the integration of the markets.

In order to keep its knowledge of the development of concentration in the Community up to date, the Commission is at the moment extending its research programme to the 'new' Member States, and at the same time is updating its information on the 'old' Member States. Special attention will be given to analysing relatively homogeneous product markets.'

18. Against this background, the Committee on Economic and Monetary Affairs wondered whether the only political action to be taken as a result of the growing degree of integration should be the implementation, as soon as possible, of preventive merger control. The Commission wanted to leave it at this and at increased control of abuse, in view of the legal situation under the Treaties. Your committee will bear this matter in mind.

OPINION OF THE COMMITTEE ON ENERGY, RESEARCH AND TECHNOLOGY

Letter of 30 September 1974 from the chairman to Mr LANGE, chairman of the Committee on Economic and Monetary Affairs

Dear Mr Lange,

At its meetings of 12 and 30 September 1974 the Committee on Energy, Research and Technology considered the Third Report from the Commission of the European Communities on Competition Policy (Doc. 118/74). It was glad to note that the Commission had complied with its wishes and dealt with energy matters in the framework of the Third Report on Competition Policy.

The Committee on Energy, Research and Technology is however, awaiting with keen interest a more thorough investigation of the energy policy problems and related economic problems touched on in this report, and will study the results, once received, with the closest attention.

Yours sincerely,

(sgd.) Gerd SPRINGORUM

OPINION OF THE COMMITTEE ON REGIONAL POLICY AND TRANSPORT

Draftsman : Mr DELMOTTE

At its meeting of 2 and 3 July, the Committee on Regional Policy and Transport appointed Mr Delmotte draftsman.

It considered the draft opinion at the same meeting and adopted it unanimously with one abstention.

The following were present: Mr James Hill, chairman; Mr Delmotte, draftsman of the opinion; Mr Gerlach, Mr Johnston, Mr Lautenschlager (deputizing for Mr Ariosto), Mr Marras, Mr Mitterdorfer, Mr Mursch, Mr Nybørg, Sir John Peel, Mr Pêtre and Mr Pounder.

1. Competition policy and regional policy are two essential tools of European integration; if there were no equality of opportunity for the various enterprises or if there existed excessive imbalances between the various Community regions, the common market could not function properly. The two tools of integration are, however, rather different; while regional policy aims to attain regional equilibrium by means of interventions to aid the development and growth of enterprises in the less favoured regions, thus raising the level of their economy, the policy of free competition rests on the principle of non-intervention, which assumes that enterprises function by their own strength alone and that the unprofitable business must submit to the law of the market.

2. There was therefore a possibility of conflict between the two policies on this point but the Treaty establishing the European Economic Community, after prohibiting 'any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings of the production of certain goods in so far as it affects trade between Member States' (Art. 92(1)), goes on to define as compatible with the common market 'aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious under-employment' (Art. 92(3a)) and also 'aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest' (Art. 92(3c)).

3. In 1971 the Commission of the European Communities laid down the coordination principles for the general regional aid systems[1] and these were adopted by the Member States[2] and declared to be applicable from 1 January 1972. The Second Report on Competition Policy described the technical work accomplished in 1972 in implementation of the principles[3].

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[1] Communication from the Commission to the Council on general regional aid systems, OJ No. C 111 of 4 November 1971, p.7; see also First Report on Competition Policy, sec. 143-153.

[2] First resolution of 20 October 1971 of the Representatives of the Governments of Member States meeting within the Council, concerning general regional aid systems. OJ No. C 111 of 4 November 1971, p.1.

[3] Second Report on Competition Policy sec. 82 et seq.

4. The dominant problem facing the Commission from 1972 onwards has been the designation of the central regions of the enlarged Community, that is the implementation of the coordination principles in territorial terms. Article 154 of the Act of Accession stipulates in this respect that 'the principles concerning the general arrangement for regional aid, elaborated within the framework of the application of Articles 92 to 94 of the EEC Treaty and contained in the communication of the Commission on 23 June 1971 and also in the resolution of the Representatives of the Governments of the Member States, meeting in Council, of 20 October 1971, shall apply to the new Member States on 1 July 1973 at the latest. These texts will be supplemented to take account of the new situation of the Community after accession, so that all the Member States are in the same situation in regard to them'.

In a note dated 27 June 1973, the Commission of the European Communities informed the Council that it had decided, pursuant to Article 154 of the Treaty of Accession, to supplement the coordination principles contained in the communication of 23 June 1971; the Commission reiterated its intention to ask Member States, not later than 31 December 1974, to undertake in a joint resolution to observe the coordination principles to be applied throughout the Community in place of those at present in force.[1]

5. The subsequent attitude of the Commission[2] in sketching the guidelines on which the work of laying down the coordination principles applicable in the enlarged Community is to be based requires some comment.

Firstly, it should be recalled that in the report on the proposals for a regulation on the list of regions and areas which could benefit from European Regional Development Fund intervention[3], the Committee on Regional Policy and Transport expressed the view that 'the means available, if they are to be effective, must be concentrated on a limited number of regions whose development is a priority' and, taking the view 'that the proposed list for interventions from the European Development Fund is very general', was of the opinion that 'priorities must be established'. The Committee on Regional Policy and

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[1] 'General regional aid systems' (Note from the Commission to the Council), COM(73) 1110 of 27 June 1973, p.1; see also Third Report on Competition Policy, sec. 82

[2] Third Report on Competition Policy, sec.83; see also 'General regional aid systems' (Communication from the Commission to the Council), SEC(73) 4469 final of 28 November 1973

[3] Doc. 276/73.

Transport is pleased to note that the Commission of the European Communities in the Third Report on Competition Policy refers to 'various categories of regions yet to be decided'[1], thus accepting the principle of greater differentiation of the regions in respect of regional aid granted by the Member States but coordinated at Community level; the committee trusts that the Commission will follow the same principle in respect of Community aids, that is, those to be granted by the European Regional Development Fund.

6. Our second comment concerns the designation of peripheral regions - that is, those for which there is at present no limitation on the maximum amount of regional aids - in the three new Member States, and particularly in Ireland. The Commission's note to the Council of June 1973[2] (which, it should be observed, modifies the communication of July 1971[3] on the coordination principles) states that the entire territory of Ireland has been designated a peripheral region.

Now, the Commission's communication[4] as well as the first resolution of the Member States[5], and the First Report on Competition Policy[6] (in the chapter dealing with specifically regional matters), all contain a paragraph to the effect that regional aids should not be concerned with the entire national territory (with the exception of the Grand Duchy of Luxembourg, considered as a single region) that is, that general aids should not be granted in the form of aid for regional development.

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1 Third Report on Competition Policy, sec. 83

2 'General regional aid systems' (Note from the Commission to the Council, (COM(73) 1110 of 27 June 1973, p.3; cf. Third Report on Competition Policy, para. 82

3 'Regional aid systems' (Communication from the Commission to the Council), OJ No. C 111 of 4 November 1971, p.7 et seq.

4 Communication from the Commission to the Council on regional aid systems, in OJ No. C 111 of 4 November 1971, p.8

5 First resolution, of 20 October 1971, of the Representatives of the Governments of Member States meeting within the Council, concerning general regional aid systems, OJ No. C 111 of 4 November 1971, p.2

6 First Report on Competition Policy, sec. 151.

7. The contradiction between the texts cited above is perhaps only apparent. The Committee on Regional Policy and Transport would like to refer here to a passage in its second report on the proposals from the Commission to the Council for a decision on the creation of a Committee for Regional Policy, a financial regulation relating to special provisions to be applied to the European Regional Development Fund, and a regulation establishing a Regional Development Fund[1]:

Ireland 'has practically no single region able to make up for the disadvantageous position of the others'.

The committee's delegation which recently made a study visit to Ireland was in fact able to see for itself the backwardness of the country's economic and social conditions compared with the average Community standard. Unless there is considerable progress in the coming years, it will be difficult for Ireland to shoulder the burdens resulting from Economic and Monetary Union. It would therefore be wrong for the Community authorities to prohibit subsidies calculated to stimulate economically that country's regions.

Besides, Protocol No. 30, on Ireland, to the Act of Accession states that:

'The High Contracting Parties ..... recognize in particular that, in the application of Articles 92 and 93 of the EEC Treaty, it will be necessary to take into account the objectives of economic expansion and the raising of the standard of living of the population'.

8. The Committee on Regional Policy and Transport therefore approves the derogation from the coordination principles adopted in the 1971 resolution which it regards as fully justified for the reasons given above.

9. As regards its specific comments, the Commission decided not to oppose the introduction of the special programme of aids to encourage service industries to move to areas receiving regional aids, under Section 7 of the British Industry Act, but has reserved the right to make a final pronouncement after examining those aids particularly from the angle of aid transparency and their geographic application. The Commission also evaluated the modifications to the French regional development aid system and pronounced unfavourably on them. Finally, the Court of Justice[2]

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[1] Doc. 228/73

[2] OJ No. C 93 of 8 November 1973

dismissed the Commission's action on investment grants in the German coal-mining regions[1], and held that the Commission had not been entitled to institute provisional measures to suspend the granting of aids, without defining, for a specific period of time, the areas in which such grants would have been considered compatible with the Common Market.

10. Although the chapter on aids to aircraft construction is lacking, as regards aids to shipbuilding, the Commission has submitted to the Council a proposal for a third directive[2]. The Commission considered the period 1974-1977 in the light of the decline of demand in relation to supply and the resulting need for the Community shipbuilding industry to catch up rapidly with its competitors. The general approach of the directive is to replace the aids given so far to shipyards by aids of a different type that will eventually render the industry competitive in the world market without recourse to state subsidies. In particular, the proposal for a directive fixes annually decreasing ceilings for direct aids for naval construction, in line with the principles laid down in the OECD General Arrangement of 20 October 1972[3]; there is also provision for prior notification to the Commission of investment aids exceeding 4 million units of account, so that their relevance to sectoral or regional objectives can be examined.

11. The Council, considering that the complexity and scope of the problems dealt with in the third directive - covering as it does all direct and indirect aids which Community shipyards may receive - would make its adoption impossible before the end of 1973, decided to extend the duration of the second directive to 31 December 1974.

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[1] See also the Second Report on Competition Policy, sec. 89

[2] Third Report on Competition Policy, sec. 90 et seq.

[3] Second Report on Competition Policy, sec. 94