

INFORMATION

COMPETITION

THE EUROPEAN COMMUNITY AND DATA PROCESSING --
GOVERNMENT DEVELOPMENT AIDS PERMITTED

21/72

The European data processing industry, and the services associated with it, are among the leading advanced technology sectors which the Commission hopes will expand rapidly. This is stated in the memorandum on industrial policy, which suggests that Community resources should be used to help firms to secure a footing in a market unduly dominated by foreign, especially American, techniques

Signore Spinelli, the member of the Commission in charge of industrial matters, mentioned this at a sitting of the European Parliament in January 1972. He promised proposals would be made for a Community strategy in computer development.

It is not a matter for surprise, therefore, that the Commission, when it had to take an attitude about government aid for data processing in France and in Germany, regarded the aid in a prima facie favourable light, because of the lack of Community aid.

All over the world this is a rapidly growing industry -- in the United States it has expanded 500 % within a decade. In the future it is marked out as one of the main industries, the activities of which will be of interest to all the electronic industries and an increasing number of users.

It is at present dominated by American firms, especially by IBM, which covers more than half the world market. This, however, is due not so much to technological backwardness, but to the difficulties met with by private industry in financing so rapid an expansion.

Because of the expansion of the market and the structure it has taken, a firm seeking a foothold must spend between 10 and 12 years making the necessary investments for the production of hardware, and setting up all the software services, before it can hope to reach the threshold of profitability. Moreover, it is not until a hardware firm, offering a reasonably wide range of computers, has reached a high volume of production that it can hope to reach this threshold. In the circumstances, and because this industry is so vital for the future of Europe, State aids by member countries are justified, especially because of the difficulties associated with the provision of private capital.

The first authorisation by the Commission for government aid to data processing firms, was given to Germany in 1971.

In 1972, the problem arises of the renewal of the German aids, and of the contract between the French government and the C.I.I. Company (Compagnie Internationale pour l'Informatique).

In both cases, even though the aid is to be on a bigger scale, the Commission has decided in their favour.

In this decision, nevertheless, the Commission expresses its regret that there is no real Community approach covering the measures taken in this industry. It considers that national aid can legitimately be used in the absence of a Community approach, for the purpose of maintaining the activities of firms which have entered the data processing market, provided these aids do not lead to distortions of competition between producers and do not prevent a cooperation which is seen to be indispensable

Germany's second Datenverarbeitungsprogram

The aids given by the German government are aimed at encouraging the production of hardware and expanding the range of software utilisation for research, educational and business purposes.

a - Subsidies to hardware producers may be up to 50 % of the cost incurred in industrial research and long-term development. They must be such as to encourage the creation of new generations of computers.

- b - Hardware producers may also be given credits repayable only in the event of success, for technical development directly angled on production. It is stipulated the aid must help towards the development and improvement of material in service.
- c - The development aids for software may be up to 40 % of costs. They can be given to firms, which are many in Europe, which provide the link between the computer and the user, or group of users. Software covers all the techniques of computer utilisation which make possible a dialogue between the man and the machine, and the improvement in which must not be allowed to flag. The aids must be such as to improve the service rendered and extend the field of computer utilisation.
- d - Aid is also provided for research carried out in various centres for the purpose of developing computer utilisation. They are given in the form of budgetary provisions for the research centres. In practice, the aid is for long-term research programmes, the results of which will be made available to all users.

Briefly therefore, the German aids are available on the one hand to producers to encourage development, innovation and the improvement of existing materials; and on the other to service companies and research centres to extend the data processing market.

For the 1971-75 period, the German government has estimated that the aid distributed will amount to DM.2,423.5 million. This is expected to be distributed as follows :

- For long-term hardware research (point a above) DM.517.4 million
- For technical and production development (point b above) DM.188 million
- For aid for software (point c above) DM. 79 million
- For development of data-processing utilisation (point d above) DM.479 million.

The German aid programme also includes a non-industrial section, which will have the benefit of the following appropriations :

- Measures relating to higher education DM.757.9 million
- Development of training centres DM.162 million
- Special programmes DM 240.2 million.

New convention between the French government and the C.I.I.

The new convention between the French government and C.I.I., covering the period 1971-75, does not contain any innovations except that the scale of the aid is raised.

C.I.I. will be given credits, repayable only in cases of success, which may be used either, for hardware production or for the development of its own software. Other software firms may have the benefit of the general measures for development aid, in the form of credits repayable only in the event of success.

C.I.I. will also have credits from the Economic and Social Development Fund (F.D.E.S.). The total amount of the research subsidies and F.D.E.S. loans will be about FF.200 million per annum. The Commission has called in question one of the clauses in the contract with C.I.I., providing that French public administrations shall be invited to give preference to C.I.I. material in public procurement contracts in cases in which its offers, and those of a competitor, are otherwise equal on the technical and on the economic side.