

WEEKLY

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** On account of the annual holiday period, the next issue of IRT (No. 155) will be dated 5 September 1972.

** The Commission of the European Communities has recently proposed the introduction of COMMUNITY INDUSTRIAL DEVELOPMENT CONTRACTS. A sum of about \$20 million is requested for this purpose. The contracts would have the following aims:

- (1) To encourage the development by Community industry of new products or processes likely of substantial importance as regards the Community's economic and social development.
- (2) To encourage cross-frontier technical and industrial cooperation.
- (3) To meet public needs still inadequately satisfied in the Community.

A short note on such a development contract will be found in ANNEX 1.

** THE FINANCIAL AID allocated TO THE COAL INDUSTRY for 1972 by the Community Member States DOES NOT CONSTITUTE AN OBSTACLE TO THE PROPER FUNCTIONING OF THE COMMON MARKET in coal. This emerges from a memorandum recently adopted by the Commission, which is summarized in ANNEX 2.

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

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** In order TO INCREASE THE COMPETITIVENESS OF SMALL AND MEDIUM-SIZED UNDERTAKINGS, the Commission of the European Communities will exempt certain specialization agreements from the application of Article 85 of the Rome Treaty (agreements restricting competition). For purposes of the new regulation, a specialization agreement will be considered to be a reciprocal agreement by two or more undertakings to cede part of their production to one of their number. Exemption will be granted only on condition that the share of the undertakings in question in a substantial part of the Common Market is not greater than 10%, and that their total turnover, including operations between them, does not exceed 150 million units of account.

** It is the European Commission's opinion that TOWN AND COUNTRY PLANNING IS A COMMUNITY-LEVEL PROBLEM. This it has pointed out in a reply to a written question from Mr Vredling, a Dutch member of the European Parliament. The Commission believes that regional policy implies both the setting-up of economic and social infrastructures to attract productive activities, and the creation of an environment capable of ensuring a higher quality of life. It expects the Council to grant the Community powers of action in regional matters before 1 October 1972, thus enabling the Commission to initiate the following measures:

1. Speedy and appropriate coordination of the Member States' regional and planning policies to arrive at guidelines compatible with the fulfilment of common aims.
2. Joint measures in priority regions in the Community to ensure that the best use is made of each area's capacities in the light of the populations needs.

** A legal instrument concerning the SOCIAL CONSEQUENCES OF INTERNATIONAL MERGERS AND REALIGNMENTS is to be drawn up by the Commission of the European Communities after consultation with trade unionists, government experts and employers' representatives.

** The Commission of the European Communities has recently asked for authority to conclude the negotiations which it has been conducting with the US Atomic Energy Commission (USAEC) with a view to improving the conditions governing the SUPPLY OF ENRICHED URANIUM FROM THE UNITED STATES TO THE COMMUNITY.

Member-State Industry should have the opportunity to make use of
COMMUNITY INDUSTRIAL DEVELOPMENT CONTRACTS

About \$20 million per year are requested for this purpose by the
Commission of the European Communities

1. To encourage the development by Community industries of new products or processes of substantial importance as regards the Community's economic and social development.
2. To encourage cross-frontier technical and industrial cooperation.
3. To meet public needs still inadequately satisfied in the Community.

These are the aims pursued by the Commission of the European Communities in proposing to the Council the introduction of Community industrial development contracts.

After thorough-going consultations with both sides of industry, the competent national bodies and some industrial companies, the Commission has concluded that the creation of Community machinery is the best way of supporting technical development projects undertaken jointly by firms established in more than one Member State. Industrial innovation involves heavy technical and financial risks, which may be beyond the capacity of individual firms. But while in certain conditions the public authorities lend their backing to R&D efforts by domestic firms in the interests of continuous technical development, the machinery at national level is not suited to support multinational technical cooperative projects. These are nonetheless indisputably necessary. Community machinery for this purpose is therefore an essential adjunct to the systems of national aid.

1. The beneficiaries of Community industrial development contracts.

The following types of project will be eligible for Community contracts:

- a) Projects whose aim is the creation or initial use of a new product or process.
- b) Projects of sufficient general importance from an economic or social standpoint.
- c) Projects offering reasonable likelihood of technical success and good prospects of medium-term exploitation.
- d) Projects involving a technical and financial risk such that in the absence of public aid they would be deferred.
- e) Projects carried out as to a significant part in the Community (the aim of this provision being to enable cooperation also to be set up between Community and non-Community undertakings, particularly when the non-Community undertakings are supported for this purpose by their governments).
- f) Projects presented and implemented in cooperation by undertakings established in more than one Member State.

Community industrial development contracts will be limited to the phase of development on the basis of previously acquired knowledge or concrete research results up to but not including the pre-production stage. Such work may include feasibility and predevelopment studies.

Community industrial development contracts may also be used to further public ends which the Community desires to pursue in more specific ways. On a proposal from the Commission, the Council will be able to define areas of public interest necessitating the development of new products or processes (particularly in connection with certain Community policies such as social, environmental or transport policy) in which undertakings will be invited to propose projects.

2. Examination, decision-making and management procedures

The Commission has proposed to the Council that the stage involving the examination and management of Community contracts should be entrusted to the European Investment Bank, which already has considerable experience of collaboration with undertakings at Community level. The Bank will examine the documents, seek expert advice where necessary and consult the competent national bodies.

The Commission will come to a decision on the basis of the examination by the Bank, and in accordance with a procedure guaranteeing rapid decision-making and industrial secrecy.

The European Investment Bank will manage contracts awarded; the contractors must report to it periodically on the progress of the projects, and the Bank must be able to check the implementation of the contracts by on-site inspections.

3. Financing

Community contracts will be concluded in the form of loans. In view of the nature of the projects financed, interest will be at the low rate of 3% per annum. This may be modified in the light of economic trends.

Contracts will specify the term of the loan, the period of exemption from repayment and the repayment timetable. The first capital repayments will be determined in relation to the estimated date of achieving the first economic results from these projects (sales, granting of licences and exploitation of processes). Should these results be delayed or not eventuate, repayments may be postponed, suspended or cancelled.

The amount of Community participation in the financing will be fixed case by case as a function of the nature of the project, the financial capacity of the contracting firms and the aids which the project may also receive from Member States, the ceiling being 70% of the development cost. In fields which the Council deems to be of

importance from a public standpoint, however, loans may range up to 100% of the development cost. Appropriations for the coming year will have to be shown in the annual budget of the European Communities in order to cover the Community's financial participation in the Community contracts and ensure that the necessary funds are available. The Commission has already requested the inclusion in the next Community budget of a special item fixing the sum required for the first year of operation of this new machinery, i.e., 20 million u.a. This should make it possible to finance about 20 contracts.

4. Ownership of information

As a general rule, ownership of information, whether patentable or not, is vested in the contracting undertakings. However, if on the expiry of a period of five years from the date prescribed by the contract for the first repayment, the beneficiary undertakings have not exploited the results obtained in a manner consistent with the general interest, they will be required to grant licences on commercial conditions to persons or undertakings in the Community requesting them.

When, however, the Community decides to finance the entire or almost the entire cost of a project, it is right that the information obtained should be made available to competent and interested persons and undertakings in the Community on conditions which take into account the financial and technical contribution of the contracting undertakings.

The Commission hopes that the Council will take an early decision on this proposal, and that the Community will thus be provided with suitable machinery for promoting technical cooperation between undertakings in more than one Member State.

State aid to the coal industry in 1972

(summary of a memorandum of the Commission of the European Communities)

The financial aid allocated to the coal industry by Member States for 1972 does not constitute an obstacle to the proper functioning of the common market in coal.

This emerges from a memorandum recently adopted by the Commission. As regards the quantitative trend, the Community coal market fell to 185.6 million tons in 1971, i.e., 9.2 million tons less than in 1970. There will be a further fall of an estimated 9.5 million tons in 1972. As a result of the reduced coal consumption, Community coal imports from non-member countries fell from 31.2 million tons in 1970 to 28 million tons in 1971. It is expected that in 1972 coal imports will amount to about 26.3 million tons and that there will be a further increase in pithead stocks. The building-up of these stocks, which had fallen to a minimum in 1970, is up to a certain point an important factor in promoting security and increased flexibility of supplies in the Community. In West Germany, on the other hand, stocks will become so large in 1972 that a cutback in production will be necessary. The present situation as regards outlets for the coal industry must be considered difficult. The prices of imported coal and fuel oil fell slightly in the second half of 1971, so that the Community coal industry has been unable to continue stepping up its earnings in order to offset increased costs, due mainly to wages rising faster than productivity.

Generally speaking, it was not found possible to reduce collieries' operating losses in 1971 by comparison with 1970. Even greater losses must be expected in 1972.

Financial aid designed to cover the deficits of social security organizations will total nearly 1,600 million u.a. in 1972, representing an increase of 11.3% over 1971, i.e., a greater increase than in the previous year. Such deficits are continually growing, the ratio between wage-earning contributors and recipients of benefit being ever more unfavourable.

The total aid for 1972 represents a decrease of 5.3% on 1971.

Total direct and indirect aid
(Community as a whole, in millions of u.a.)

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
1. Direct aid	427.7	332.4	380.1	329.6
2. Aid to coking coal	74.2	87.4	53.7	69.4
3. Indirect aid	<u>98.4</u>	<u>84.3</u>	<u>91.9</u>	<u>98.7</u>
Totals	<u>600.3</u>	<u>504.1</u>	<u>525.7</u>	<u>497.7</u>
Increase or decrease over previous year	-1.1%	-16.0%	+4.3%	-5.3%
<u>Aid per ton produced (u.a.)</u>	<u>3.40</u>	<u>2.96</u>	<u>3.18</u>	<u>3.21</u>

Breakdown by country
(millions of u.a.)

West Germany	94.4
Belgium	60.1
France	160.4
Netherlands	<u>14.7</u>
Total	<u>329.6</u>