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Report

drawn up on behalf of the Committee on Energy and Research

on the proposal from the Commission of the European Communities to the Council (Doc. 268/76) for a decision adopting the technological research programme for the footwear sector

Rapporteur: Mr M. VANDEWIELE

PE 46.658/fin.

By letter of 17 August 1976 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 235 of the EEC Treaty to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a decision adopting the technological research programme for the footwear sector.

The President of the European Parliament referred this proposal to the Committee on Energy and Research as the Committee responsible and to the Committee on Economic and Monetary Affairs, the Committee on Budgets, and the Committee on the Environment, Public Health and Consumer Protection for their opinions.

On 10 September 1976, the Committee on Energy and Research appointed Mr Vandewiele rapporteur.

It considered this proposal at its meeting of 29 November 1976. At the same meeting the committee unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr Springorum, chairman; Mr Normanton, vice-chairman; Mr Vandewiele, rapporteur; Lord Bessborough, Mr Ellis, Mr Fioret, Mr Giraud, Mr Noè, Mr Ripamonti, Mr Vernaschi, Mr Veronesi and Mrs Walz.

The opinions of the Committee on Economic and Monetary Affairs, the Committee on Budgets and the Committee on the Environment, Public Health and Consumer Protection are attached.

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The Committee on Energy and Research hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on a proposal from the Commission of the European Communities to the Council for a decision adopting a technological research programme for the footwear sector

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Article 235 of the Treaty establishing the EEC (Doc. 268/76),
 - having regard to the report of its Committee on Energy and Research and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Budgets and the Committee on the Environment, Public Health and Consumer Protection (Doc. 466/76);
1. Notes that the proposal for a decision follows on from another proposal for a technological research programme in the textile sector, adopted by the Council in 1975, which Parliament approved at the time (see report by Mr Gleasoner, Doc. 424/74),
 2. Recognizes the importance of improving footwear production technology through a series of measures aimed at encouraging the implementation of certain research projects,
 3. Believes that increasing production efficiency and improving the level of technology through research are vital and represent the only long-term way of protecting the viability of the footwear industry in the Community,
 4. Feels that it is important that small and medium-scale firms should benefit in the same way as larger firms from the results of the Community research programme, wherever they are situated in the Community,

¹ OJ No. C 209, 4.9.1976, p.5

5. Believes that it is impossible to develop an effective strategy for footwear research at national level and suggests that the research in question be used to set up a Community footwear research institute, while maintaining the present geographical spread of the existing institutes,
6. Believes that the amount of aid which the Commission plans to spend on these measures is inadequate and considers that the Council and the other institutions should consider a level of appropriations more closely adapted to the needs of this sector,
7. Reminds the Commission that a research programme alone cannot provide a substitute for a Community industrial policy in this sector,
8. Hopes that, when the projects are completed, the Commission will, on the basis of Article 235 of the EEC Treaty, submit future technological research programmes on the footwear industry to Parliament,
9. Approves the Commission's draft decision, subject to the budgetary powers of the European Parliament, and calls for its early adoption by the Council.

EXPLANATORY STATEMENTI. Introduction

1. On 3 August the Commission of the European Communities submitted to the Council¹ a technological research programme for the footwear industry, with a view to collective improvement in this sector, similar to the one the Community has already adopted for the textile sector (see report by Mr Glesener, Doc. 424/74).

2. The collective research programme covers a period of 4 years from 1 January 1977 and involves three projects. The total cost of the programme to be implemented by the various specialized European research institutes would be 1.355 million u.a.

For the first two projects, which together will cost 505,000 u.a., the Community will provide 235,000 u.a. The third programme will be financed entirely by the footwear industry. It will begin as soon as the first positive results have been obtained from the first two projects.

3. The programme is designed as a collective research programme and follows three lines of research:

- the rationalized use of materials for shoe manufacture. The main problem is to develop methods of cutting which will reduce waste;
- the rationalization of upper-making and the improvement of worker conditions;
- the correlation between footwear technology and consumer requirements.

4. Research on projects 1 and 2 will mainly be along the lines of better use of the possibilities offered by electronically-operated machines.

5. The Community will participate in the research programme through a contract with the European Footwear Confederation, which embraces virtually the whole sector. This organization will be responsible for financing and directing the programme.

6. The draft Commission decision also provides for the setting up of management and advisory bodies composed of delegates from the various national federations of employers and also of representatives of the national research institutes.

¹ OJ No. C 209, 4.9.1976

II. Situation in the footwear industry

7. The Community's footwear industry, which employs approximately 355,000 persons (mostly women) produced 871 million pairs of shoes in 1975 and accounts for a third of world production. These figures leave out a further 150,000 workers in related sectors, such as tanning, textiles, plastics, the chemical industry etc. The footwear industry has the advantage of using animal skins, one of the rare raw materials which is in plentiful supply in the Community.
8. The Community's balance of payments in the footwear sector is slightly in surplus, but this surplus has been growing smaller in recent years.
9. Imports of cheap shoes from Eastern Europe, Asia, Africa and South America, where labour is cheap and public aid is given to exports, are increasing and will continue to increase in the long term.
10. At the same time exports of footwear have fallen in most countries, although there has been some progress in exports of leather and tanned hides.
11. This decline can be attributed to several factors: firstly, the slow rate of increase in consumption, the effect of trade and finally competition from shoes made of plastic. The general economic recession in 1974 and 1975 has contributed to the decline in purchases of footwear, except slippers.
12. As regards competition from footwear made of plastic, for some years these shoes have been taken a greater share of the market and production increased again in 1974. But it appears that in 1975 leather regained popularity partly as a result of the sharp increases in the prices of plastics manufactured from petroleum.
13. The aims of production development in the European footwear industry should be to decrease production costs in order to maintain competitiveness with imported products.
14. Almost 80% of production costs come from two sectors, the cost of raw materials and the manufacture of uppers. The two projects proposed by the Commission are partly subsidized by Community funds. These projects are concentrated on these two sectors and are basically research projects to be followed if necessary by the development of new machinery. This is the first time that a comparison will be made between footwear industries in various EEC countries.

III. Aims and scope of research

15. The aim of the project on the rationalized use of materials for uppers, is to compare the use of materials for uppers

- (a) between the various Community countries
- (b) between various kinds of shoes
- (c) between producers who use feed systems and others
- (d) between different types of material.

16. Leather will probably be the material most used, but an investigation is planned into synthetic material. Depending on the results, it is proposed that the most productive feed system be developed, and this system will be encouraged in production.

17. Computer techniques at present available will probably improve methods for using synthetic materials, and in addition the research should provide projections which will favour computerized systems.

18. The project on the rationalization of upper-making is aimed at adapting upper production techniques to the rest of the shoe-manufacturing process in the European industry.

19. This research will require the setting up of different systems for men, women and children together with footwear design studies, and studies on reducing the number of steps involved in manufacturing uppers.

20. If the number of steps can be reduced with present techniques, including automatic sewing machines, producers can be advised on what is the best equipment. However, new machines may be developed, depending on available funds. In addition to the improvement of upper production techniques, an investigation into ergonomic systems should be considered.

21. As regards the improved use of materials, an important project is nearing completion at SATRA. A system of cutting using an automatically controlled liquid jet has been developed for the footwear industry. Unlike traditional systems, cutting by liquid jet does not deform or move the material. The main aim of this system is to improve the use of raw materials and increase production flexibility. Moreover, this system of computer-controlled liquid jet cutting can be applied in many different industries.

22. The programme described in the proposals should permit a comparative study in two key sectors in the main footwear industries in the Community.

23. In assessing this programme, it goes without saying that technical progress alone is not sufficient to improve the prospects of the footwear industry. Should there not be additional measures to help firms avoid increasing unemployment?

24. Moreover, your rapporteur believes that the research potential in the footwear industry is only 400 research workers spread over 5 collective research establishments in 5 Member States (France, United Kingdom, Germany, Netherlands and Belgium).

25. The value of this research programme resides not only in its technological aspects but also in the fact that this branch of industry must be encouraged at European level: Community-wide research is therefore necessary.

This is a branch of industry which is unable to support research at national level.

26. Taking into account the situation in various Member States, the position of the footwear sector should be considered in an overall framework at European level.

IV. Conclusions

27. The Committee on Energy and Research attaches great importance to the programme of Community research, as it demonstrates the willingness of the footwear industry to overcome present trade and economic difficulties by collective research efforts at Community level.

28. Footwear research is carried out in the form of collective research, so that not only the larger companies but also the small and medium-scale firms can benefit from the result of the Community research programme, wherever they are situated in the Community.

29. It should be pointed out that this programme concerns an industrial sector of undeniable importance

- as an employer, particularly of women,
- as a decisive economic factor in certain regions of Europe,
- as a user of one of the rare raw materials of which the Community has a plentiful supply,
- as a sector which is not a major consumer of energy,
- as the provider of essential products.

The programme will help to achieve an improved technology, taking better account of the needs and desires of the consumer and the workforce.

30. The Committee on Energy and Research approves the Community's contribution to the programme as one of the rare features of the Community's industrial policy designed to help an industrial sector, in that

- it promotes collective action in a branch of industry, and encourages other branches to follow this example,
- it directs the programme towards aims which are in the public interest,
- it represents a research programme where encouragement of private enterprise is linked with a minimum of public administrative expenditure,

and gives its approval to the proposal for a decision presented by the Commission of the Communities, and hopes that when the projects are completed, the Commission will submit to the European Parliament, on the basis of Article 235 of the EEC Treaty, future technological research programmes in the footwear industry.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman : Mr M. COINTAT

On 24 September 1976 the Committee on Economic and Monetary Affairs appointed Mr Cointat draftsman.

It considered the draft opinion at its meeting of 19 October 1976 and adopted it by 4 votes in favour with 5 abstentions.

Present: Mr van der Hek, chairman; Mr Cointat, draftsman; Mr Artzinger, Mr de Broglie, Mr Delmotte, Mr Glinne (deputizing for Mr Thornley), Mr Lange, Mr Normanton and Mr Prescott.

The Committee on Economic and Monetary Affairs has considered the programme itself, the manner in which it will be implemented and financed and its implications as regards a Community industrial policy.

(a) The programme

1. The European footwear industry is threatened with a recession. Since 1973 production has been falling, mainly as a result of the increase in production costs which has put a curb on domestic sales and in particular on exports.

Thus the European footwear industry's position as main producer (one third of world production) and exporter is jeopardized to an increasing extent by the appearance on the market of new competitors and the introduction of protectionist measures by certain governments (Australia, Sweden).

Any exacerbation of these problems could necessitate considerable public expenditure on subsidies and trade policy measures which would be justified from both the social and regional points of view.

2. To forestall such a hazardous and costly development, the Commission felt that the best solution was to exploit the technical vitality that exists in this sector, where there is an ample supply of raw materials and a potential for future expansion throughout the world (from 3,000 million to between 6 and 12,000 million pairs per year by the year 2000).

The technological research programme proposed by the Commission comprises three projects. The first two are aimed at a more effective use of raw materials and energy and the rationalization of production (manufacture of uppers).

The third project, which is concerned with the correlation between footwear technology and consumer needs will be launched only if the results obtained from the first two projects are positive.

Furthermore, this programme is not designed solely to fulfil economic criteria but is also intended to improve psychological and physiological working conditions in this sector.

(b) Implementation

3. Experience of joint research in the footwear sector dates back a number of years and is based on cooperation between five European joint research establishments. However, the development of footwear technology will call for greater cooperation in solving the problems of the Community as a whole. The aim of the Commission's programme is thus to encourage such research which will entail radical technological changes and is beyond the resources of an individual establishment or country, by promoting and coordinating the projects.

In this connection, the Committee on Economic and Monetary Affairs feels that however representative the European Footwear Confederation (CEC) might be¹, the Commission should take special care to ensure that all those working in this sector profit from the joint research programme as otherwise it could lead to distortions of competition.

(c) Financing

4. The Community's contribution to the programme is estimated at 235,000 u.a., i.e. 46.5% of the total cost. This sum is relatively small compared with the annual turnover of the footwear industry (5,345 million u.a. in 1974) and in the light of the substantial saving that can be achieved by rationalizing production: a 2% improvement in the utilization of raw materials would produce an annual saving of 13 million u.a. and the annual saving resulting from a 20% reduction in the operations involved in stitching a shoe would be 40 million u.a.².

In this connection, although in the 1977 draft budget the Council made a token entry for payment appropriations (100,000 u.a.) for 1977, it also deleted the commitment appropriations, which the Committee on Economic and Monetary Affairs considers regrettable, given that if this research programme - which is to be spread over 4 years, beginning on 1 January 1977 - is to be implemented effectively, its financing should not be called into question.

(d) Scope of the programme

5. Despite its good points this research programme does not offer a solution to the problem. There are three main reasons for this:

- The research proposed seems to have been overtaken by technological developments in certain third countries: cutting by laser beam, water-jet or computer.
- Labour-intensive industries, of which the footwear sector is one, cannot survive or cope with competition from low-wage countries unless a specific policy is adopted with a view to defining their role, safeguarding their operation and promoting their development. Only bold measures in this area will give footwear manufacturers a measure of security.
- Finally, the footwear industries suffer in many cases from inadequate equipment and organization, from both the technical and economic points of view. Only a policy of reconversion and amalgamation is likely to bring about a substantial improvement.

Thus the research programme envisaged constitutes, regrettably, no more than a palliative and will not remedy the real causes of the disease.

6. Suitable measures to help the footwear industry will undoubtedly present a number of problems, whether they relate to the reorganization of the labour force, investment in machinery, or cooperation³. The present state of

¹ Description of and background to proposal for decision, p.3

² Description of and background to proposal for decision, p.4

³ Description of and background to proposal for decision, p.2

industrial cooperation in the Community - a state frequently deplored by the European Parliament - seems inadequate if Europe is to deal satisfactorily with these problems. There is room for doubt about the prospects of a research programme which, to be really effective, would need to be accompanied by reorganization measures, a Community aid policy extending beyond the purely national and short-term aspects¹, and measures to help small and medium-sized undertakings, not to mention the fiscal, administrative and trade considerations involved in any Community industrial policy.

The Committee on Economic and Monetary Affairs, has discussed the need for a proper Community industrial policy on several occasions² and from this point of view it must approve, subject to the above reservations, the programme of technological research which is not a substitute for a Community industrial policy and, in the committee's view, is useful in itself although on a much smaller scale than the technological research carried out in, for example, the United States.

CONCLUSIONS

The conclusions of the Committee on Economic and Monetary Affairs are as follows: the committee

1. approves the principle advocated in this proposal of the joint financing of a technological research programme by the Community and industry;
2. considers that there is a need to provide a technological stimulus to the Community footwear industry, which is faced with a severe threat of recession, and believes that this first technological research programme will meet this need;
3. in order to avoid any distortions of competition, hopes that the Commission will see that the programme is implemented in such a way as to ensure that all those employed in this sector will benefit from the programme;
4. points out that, particularly in view of the substantial saving that can be expected as a result of the rationalization of production, the Community's financial contribution to this research programme is not excessive; calls for the reinstatement in the 1977 budget of the commitment appropriations needed to guarantee the proper implementation of the multi-annual programme;
5. reminds the Commission, however, that a research programme is not in itself a substitute for a Community industrial policy in this sector;

¹ Report on the Commission's fifth report on competition policy (Rapporteur : Mr NORMANTON), Resolution, point 12 (OJ No. C 238, 11.10.1976, p.35)

² Oral question (Doc. 152/76) on industrial policy

6. calls for more dynamism from the Commission and more determination from the Council as regards the introduction of a real and consistent Community industrial policy¹ in this sector and others, rather than permitting the growth of national or Community aid measures which would be costly and not, in themselves, capable of arresting the decline in these sectors;
7. subject to the above reservations, approves the proposal for a decision adopting a technological research programme for the footwear sector.

¹ Report on the Community's industrial policy, Rapporteur : Mr P.-B. COUSTE (Doc. 277/73), Resolution, point 6

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman : Mr G. CLERFAYT

At its meeting of 23 November 1976 the Committee on Budgets appointed Mr Clerfaÿt rapporteur.

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

Present: Mr Artzinger, acting chairman; Mr Clerfaÿt, draftsman; Mr Albertini, Lord Bessborough, Mr Brugger, Mr Gerlach, Mr Haase, Mr Lautenschlager, Mr Mursch, Mr Suck and Mr Yeats.

NATURE OF THE PROGRAMME ENVISAGED BY THE COMMISSION'S PROPOSAL

The aim of the Commission's proposal is to enable the Community to promote and contribute to a collective research programme for the Community's footwear industry. This industry has been in serious difficulty for several years, and the Commission considers that it is now necessary to coordinate and encourage national research work in this sector.

With this aim in view, the Commission has drawn up a four-year programme comprising three separate projects. In its proposal for a decision the Commission requests the Council to adopt the principle of the research programme, together with two specific projects designed to promote research into the rational use of raw materials and the rationalization of footwear production.

FINANCIAL AND BUDGETARY IMPLICATIONS

The Commission estimates the total cost of the programme at 1,355,000 u.a., to be shared between the industry and the Community. The Community contribution will be limited to the last two projects, to which it will contribute 235,000 u.a. (total cost of the two projects is 505,000 u.a.). The third project, costing 850,000 u.a., will be financed in full by the industry.

OBSERVATIONS OF THE COMMITTEE ON BUDGETS

- a) The Committee on Budgets points out that the question of the amount of funds for research in the footwear sector has already been discussed in the context of the draft budget for 1977 (Item 3721).

In its preliminary draft budget the Commission earmarked, for this purpose, payment appropriations of 90,000 u.a. (frozen under Chapter 100) and commitment appropriations of 235,000 u.a..

The Council, in its draft budget, entered payment appropriations of 100,000 u.a. (Chapter 100), but did not provide for any commitment appropriations. At its October 1976 part-session Parliament, while approving the payment appropriations of 100,000 u.a. under Chapter 100, reinstated commitment appropriations of 245,000 u.a..

Parliament thus adopted a position, even if only temporarily, on the financing of the project in question. At the same time, it noted that the Council had agreed to the entry in the draft budget of a line and appropriations for a project without previously defining the details, or even the principle involved, in a regulation.

b) The Committee on Budgets also deplores the fact that the Commission persists in including in its proposals to the Council precise figures fixing the cost of projects before approval is obtained from the budgetary authorities. It draws attention to the wording used by the Commission in this proposal: 'The financial contribution by the Community to the programme is established by the budget procedure. It is estimated at 235,000 u.a. . . .'. However, in accordance with the position it has adopted on several occasions on the question of the inclusion of specific amounts of appropriations in Community regulations, the committee feels that Article 2 of the proposal is superfluous.

It wonders why the Commission has persisted in this attitude, and hopes that the Commissioner responsible will be able to give the Committee on Budgets a satisfactory explanation.

c) The Committee on Budgets is surprised that the Commission should propose to the Council not only a general decision on the advisability of carrying out a research programme, but also specific and detailed projects annexed to the proposed regulation. It is questionable whether the Council is entitled under the Treaties to adopt each and every technological research project that forms or will form part of the research programme in question. In the budgetary context such an involvement of the Council in the practical implementation of a policy - whatever it may be - means that the appropriations earmarked in the budget will not be used unless - and until - the Council adopts each individual project implementing the programme in question. Under such an arrangement, Parliament's budgetary powers become largely meaningless.

d) Finally, the Committee on Budgets draws attention to the absence of adequate information as to how the sum of 235,000 u.a., given in the financial record, was calculated or how it is to be used.

CONCLUSION

It is remarkable that this single proposal for a decision - involving, after all, a limited amount of funds - should raise the three fundamental questions about which the Committee on Budgets feels most strongly when it has to give its opinion on this type of project with financial implications, namely:

- the appropriations for such projects should not be fixed in the basic regulation, in advance of the budget, for this renders the budgetary authorization meaningless;

- once the basic regulation has been adopted and the appropriations entered in the budget, the Commission must be able to implement the project in question without having to request the Council's authorization - after the end of the budgetary procedure - for each separate stage of the project and, in consequence, for the release of the various budgetary appropriations concerned;
- the assessment by the Commission of the likely financial implications of its proposals should be thorough, precise and detailed; an explanation should also be given of the practical details of the proposed financing.

The Committee on Budgets is unable to give a favourable opinion on the Commission's proposal - at least not in its present form. It therefore proposes that the Commission be asked:

- to delete Article 2 of the proposed decision;
- to dissociate the research projects from the decision adopting the action programme;
- to amplify the justifications in the financial record.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND CONSUMER
PROTECTION

Letter from Mr H. E. JAHN, acting chairman of the committee, to
Mr G. SPRINGORUM, chairman of the Committee on Energy and Research

Brussels, 28 October 1976

Dear Mr Chairman,

At its meeting of 19/20 October 1976 the Committee on the Environment, Public Health and Consumer Protection considered the Commission proposal for a Council decision adopting a technological research programme for the footwear sector (Doc. 268/76) comprising three separate collective projects aimed at ensuring the continuance of the footwear industry, to be carried out in the future and with regard to which the Commission wishes to play an active role as initiator and coordinator.

The first two projects which it is intended to complete in three or four years are aimed in particular at more rational use of materials in shoe manufacture and at rationalizing upper-making. The practical experience gained and the results obtained through cooperation on these projects at Community level should enable a decision to be taken on whether the third project - correlation between footwear technology and consumer requirements - should be carried out. The third project will be financed entirely by the footwear industry.

The Committee on the Environment, Public Health and Consumer Protection ascribes great importance to this project. It is aware that the first phase of the project affects the interests of the consumer indirectly and only to a limited extent.

Without wishing to insist on the premature implementation of the third project, the committee recalls that the wishes and needs of the consumer play a fundamental role in determining what the footwear industry should offer for sale. The committee feels that, with a view to strengthening more effectively the footwear sector's competitive position, through both joint efforts aimed at more economical use of materials and the rationalization of various manufacturing processes, as well as through a more comprehensive effort to meet the wishes and needs of the consumer, part of the savings from the rationalization of footwear production should, if possible, be used to carry out the third project ahead of schedule.

Please regard this letter as the opinion for your committee on the above mentioned Commission proposal. The opinion was adopted by 12 votes to 1 with 1 abstention¹.

Yours sincerely,

Hans Edgar JAHN

¹ Present: Mr Jahn, acting chairman; Lord Bethell, vice-chairman; Mr Adams, Mr Bertrand, Miss Boothroyd, Mr Creed, Mr Evans, Lady Fisher of Rednal, Mrs Kruchow, Mr Molloy, Mr Willi Müller, Mr Noè, Mr Plebe and Mr Walkhoff.