



## trade union information

No 10/1977

### TRADE UNION BULLETIN

PUBLISHED BY THE TRADE UNION DIVISION OF THE SPOKESMAN'S GROUP AND  
THE DIRECTORATE-GENERAL FOR INFORMATION

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## 1. Community Taxation

Text of the address by Mr Richard Burke, Commissioner for Taxation, at a meeting with the European Trade Union Confederation, Brussels, 10 November 1977.

"It gives me great pleasure to address your organization today as I am convinced that this meeting will make for a mutually profitable exchange of views on tax harmonization. I say this because it struck me when reading your document that the views it contained were broadly similar to those the Commission has been advocating for a number of years and that, as a result, could count on your support in this matter.

The Commission agrees with your document in that, during an initial stage, tax arrangements must be restructured with a view to eliminate all obstacles to Community integration and that, during a second stage, when some headway has been made towards European Union, the problems involved in bringing tax rates more closely into line will need to be tackled. The Commission has stated this as its objective in its Action Programme for Taxation, in which it stresses the need to complete work on establishing taxation conditions which would enable the highest possible degree of liberalization in the movement of persons, goods, services and capital and of interpenetration of economies. You also say that preparations should then be made, with a view to further European integration, to bring more closely into line the respective burdens of those taxes and charges having any substantial impact in this respect. We are all in agreement that tax harmonization is not an end in itself but is one of the instruments and powers given to the Commission to enable it to accomplish the tasks allocated to it.

In this connection, I should like to emphasize one point: it is relatively straightforward to identify the tax measures that need to be taken if a number of fundamental objectives laid down in the Treaty are to be attained. These measures are concerned primarily with tax structures and with the basis of tax assessment. By contrast, it is much more difficult, in view of the uncertainty currently surrounding the degree of economic integration attainable in the future and also the speed with which progress can be made towards this target, to specify the appropriate tax measures; it is a fortiori impossible to draw up a detailed timetable for such measures.

What can be said in this connection is that we will need to concentrate on harmonizing tax burdens, in other words bringing both the bases of assessment and tax rates more closely into line. But there is no denying that this will be a difficult exercise extending over several years.

It is when considering such medium-term and long-term action that we will also be able to make allowances for a number of desiderata that are contained in your document but that, unfortunately, could not be included in the Commission's Action Programme. I am referring to two points in particular to which you, quite rightly, attach special importance: tax evasion at national level and more balanced tax treatment for individuals. I am fully aware of the importance of these issues but European solutions are feasible only if a degree of political integration that continues to elude the Community is achieved. In fact, at the present time, it is extremely difficult even to carry out measures that are actually stipulated in the Treaty.

Now, to my mind, the best way to embark on our discussions is for me to review briefly the state of play as regards tax harmonization and to list the developments that have taken place since your last meeting with my predecessor, Mr. Simonet, on 21 October 1975. In this connection, I should like to deal in turn with VAT, excise duties, duty exemptions, direct taxes and tax avoidance.

#### V.A.T.

As you well know, progress in the last two years has concerned mainly the Sixth Directive, which was eventually adopted by the Council on 17 May this year. The Financial Regulation on own resources, which the Council is presently examining and is expected to adopt shortly, will enable the own resources mechanism to be applied in 1978.

In adopting the Sixth Directive, the Council left a number of matters outstanding, although it did commit itself to taking the relevant decisions in the near future. It is with this in mind that the Commission will shortly transmit to the Council proposals concerning the refund of VAT to foreign taxable persons and the scheme for second-hand goods and works of art.

We are also contemplating action in other fields, to facilitate, for instance, mail-order business, an item of importance for consumers, subsequently, with a view to abolishing tax frontiers, the Commission will tackle the problems involved in simplifying the formalities to be completed at intra-Community frontiers.

It is worth stressing that although some areas have not been dealt with, the work being done in connection with VAT is of great importance and is undoubtedly a success for the Community.

### EXCISE DUTIES AND OTHER INDIRECT TAXES

For excise duties, the situation is much less encouraging; the only matter still being discussed by the Council is that of excise duties on tobacco, the harmonization of which has already started. By contrast, no further progress on any of the important Commission proposals concerning other excise duties has been made for almost three years. In the light of these circumstances, the Commission forwarded to the Council on 27 July this year a communication on the matter. We are anxious to set aside a number of political problems that are hampering progress towards harmonization. Therefore the communication proposes that the Council disregard for the time being the framework directive, which is of no direct relevance to the day-to-day functioning of the Community, and acknowledges that the Council is not in a position to reach agreement on the directive concerning wine in the near future. Accordingly, it calls on the Council to focus its efforts first on the directives on beer and alcohol in order that a decision can be reached in both areas next spring, and then on the directive on mineral oils in order that a decision can be taken, among other things in the light of energy policy desiderata, by the end of 1978.

The Commission sincerely hopes that the Council will come round to its way of thinking and that these deadlines will be met. It would also like to see the Council agreeing to embark on the second stage of harmonization of the excise duty on cigarettes by the end of 1977 and also acting, in 1978, on another proposal before it concerning the definition of manufactured tobacco products. I am also hoping that the Council will make a start on our proposed directive concerning the harmonization of taxes on transactions in securities.

## DUTY EXEMPTIONS

The Commission has been pressing ahead with its policy of extending the range of duty exemptions for travellers: it has forwarded to the Council a proposal for increasing the amounts involved and for adjusting these amounts from time to time to keep up with changes in the cost of living within the Community. The Commission is determined to follow up these measures. In parallel, it has laid before the Council specific proposals for resolving a number of problems that arise on the occasion of an individual's change of residence, marriage or death and also on the temporary importation of means of transport and transport equipment so as to make the public more aware of the Community's presence by minimising troublesome frontier formalities.

## DIRECT TAXES

In this field, as you well know, the Commission has decided, for obvious reasons, to accord priority to the problem arising in connection with taxes on business profits.

I would remind you of the two proposed directives, dating from 1969, concerning common systems of taxation for mergers between companies in different Member States and for parent companies and subsidiaries located in different countries. If we are to develop a common industrial policy, it is essential that these proposals be adopted. Under pressure from the Commission, the Council has resumed the work it had shelved in this field. It is hoped that the directive on mergers will be adopted shortly, perhaps even before the end of the year.

Nor must we forget the very important 1975 proposal concerning the harmonization of the systems of company taxation and of withholding taxes on dividends. As Parliament has not yet delivered its opinion, expected before the year, the Council has not begun examination of this proposal, which is expected to be a difficult, drawn-out affair.

Moving on to individuals, the Commission, as I mentioned at the beginning of my address and at the risk of disappointing you somewhat, does not

feel that work can yet be put in hand on a general harmonization of personal income and wealth taxes. None the less, it is fully aware of, and is determined to eliminate, the forms of discrimination that exist in this field and that are obstacles to establishing the common market, particularly where frontier workers are concerned. The subject is currently under examination. Looking ahead, and beyond a technical directive designed to apply the provisions of the directive on company taxation to unit trusts and investment companies, the Commission will be primarily concerned with harmonizing the basis of assessment for taxes on business profits. This is a vast field that will engage us for a number of years to come.

### TAX EVASION AND AVOIDANCE

As I was saying, the Commission finds itself in agreement with you in matters of substance in this area, but has a slightly different opinion as to how this important matter should be tackled. We believe that the responsibility for resolving all the problems arising at strictly national level rests with the Member States. The Commission, whose resources are very limited, is concentrating on the fight against international tax avoidance, that is to say avoidance made possible where an individual or a company has interests in more than one Member State. Here, the individual Governments are hamstrung by the limits set by sovereignty; international cooperation is a prerequisite, and the Commission's chief concern is to bring about such cooperation.

I would draw to your attention not only the proposal aimed at enforcing collection of amounts due in connection with VAT and excise duties but also to the proposal concerning mutual assistance in the field of direct taxes, at present before the Council, and the related proposal on the arbitration procedure. The Commission will press ahead with its efforts in this field and will propose mutual assistance arrangements in respect of indirect taxes, rules governing transfer pricing between undertakings belonging to the same corporate group, and partial solutions to the problem of the abuse of tax havens. Devising a comprehensive solution would necessitate international cooperation extending beyond the frontiers of the Community.

## CONCLUSIONS

This rapid review of the situation brings out the two key ideas around which action by the Community in the tax field has centred: firstly, achieving tax neutrality in respect of intra-Community trade; secondly, establishing the conditions without which economic and monetary union, on which the Commission is at present launching a full scale debate, cannot be achieved.

The first objective has been largely achieved with the introduction of VAT in all Member States, and we trust that further progress will be made in the near future with the adoption by the Council of the proposed directives on excise duties.

Similarly, the Commission is also taking care to ensure that Member States comply with the tax provisions of the Treaty in order that misapplication of the tax mechanism does not give rise to any distortion in the conditions of competition.

At the same time, the policy being pursued in the field of duty exemptions is an indication of the Commission's determination not to confine its energies to creating a "Europe of big business". Because it is directly concerned with the citizen's immediate needs, this policy brings home to the man in the street in a special way the importance of the Community.

As events in recent years have shown, the second objective, economic and monetary union, will be much more difficult to achieve. No genuine progress towards this objective has been made since the famous 1971 Council Resolution on the matter.

There is no denying that the instrument of taxation must be wielded primarily with this aim in mind. Harmonizing direct taxes will be of overriding importance. The present divergences in this field are offset in part by the fact that there are still barriers between the national economies, but there is a danger that, as more progress is made towards economic and monetary union, these divergences will seriously disrupt the working of the Community. I am thinking in particular of the impact of direct taxes on capital movements and company profitability and hence of the repercussions unduly wide disparities might have in the field of business investment and location. As for indirect taxes, the harmonization of structures only is unlikely to prove sufficient, and a need may well arise for some alignment of rates both for VAT and for excise duties.

On account of the increased constraints that this will inevitably entail in a sphere in which national sovereignty has always been inviolable, this entire undertaking is bound to meet with resistance and opposition. As a result, such an ambitious target calls for considerable endeavour and greater political will on the part of Member States, all the more so in view of the fact that the current economic crisis is an additional obstacle to be overcome.

In these circumstances, the Commission needs more than ever the cooperation of all those who have responsibility for economic and social matters, especially the trade union organizations, if economic and monetary union is to cease to be merely a symbol and gradually become a reality."

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2. Opening Statement by The Right Hon. Roy Jenkins, President of the Commission of the European Communities, on the short term outlook and the longer term objectives of economic and monetary union, given at the European Council, 5/6 December 1977
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"Since our last review, we have made some progress on the inflationary front. The worst countries have got better, the middle range countries have remained about the same, and the best have remained as good as they were. The overall balance of payments of the Community has improved, not quite as fast as we hoped, but nevertheless significantly, thanks mainly to a big change in the UK and Italy. There has been greater internal exchange rate stability, but our growth rates, both in the stronger and the weaker economies, unlike those of the other two main trading blocks, are well short of the targets agreed upon at the Downing Street Summit in May, and there is no sign of any early spurt.

There has been no improvement in unemployment. It has got marginally worse. It is common, with little more than marginal differences, to all our Member States, much more so than inflation or balance of payments problems or even low growth. It is illustrated by emergency action which has to be taken, and in each case we have to proceed by restructuring and the shedding of some labour in order to safeguard the future for the remainder. The Commission has identified the most promising growth industries: aeronautics,



telecommunications, electronics, data processing, energy and energy saving. Some, perhaps particularly the last, could take on significant amounts of labour, but in general they are manifestly capital and not labour intensive.

I therefore do not believe that any conventional upswing is going to solve our unemployment problem. It would require  $5\frac{1}{2}$  - 6% growth rates throughout the Community over a 3 to 5 year period to recreate previous levels for the existing labour force. Within the existing framework does anyone regard this likely?  $4\frac{1}{2}$ % would be optimistic. 3% might be more realistic.

There is an additional factor. Demographic projections based on those who might be born are notoriously unreliable. Projections based on those already born are of an altogether different order. They show that between now and 1985 many more people will become 16 than will become 65. After that it will change. But in the next eight years the potential labour force will increase by nine million against a population increase of six million. In conditions of full employment this would be a strength. In conditions of unemployment it is an additional problem. We need to employ still more in relation to the per capita demand. It will be more acute in Germany, the U.K., and Denmark, and most of all in Germany, where the population is likely to decline by  $1\frac{1}{2}$  million and the labour force to increase by  $2\frac{1}{2}$  million.

Therefore in my view there is no conventional way out. If we are going to change unemployment trends decisively, we need a major new stimulus of a historic dimension, comparable with the onset of the railway age 130 years ago or the post-war impact of the combination of the need for reconstruction and the spread in the '50s and '60s of what were previously middle class standards of consumption.

To some extent, but by no means wholly, such impulses cannot be continued.

Beyond this there are two additional factors:

First, enlargement, and an assumption of this must clearly also be our working hypothesis. Are we prepared to allow it to lead to a weakening and loosening of the Community, or are we not? Left to itself it will. A heavier body, particularly with the problems the new countries will bring - although they can be exaggerated - without a stronger bone and sinew structure will be more torpid, more flaccid, less coherent. But it need not be so. It could, to the contrary, give us the spur to move forward in the way that in any event we need to do. And if we do not, the enlargement would be self-defeating. The new members have made it clear that they want the sustenance of a strong and coherent Community. They do not want to find that in the process of joining they have damaged the potential which attracts them.

Secondly, we have not got a world monetary system. We had one for 25 years after Bretton Woods, and on the whole it worked very well. But it was based on a complete dollar hegemony. It began to crack in 1968. It fissured in 1971. Since then it has just staggered on. And today the dollar looks less satisfactory than ever as the only real international medium of exchange that we have. Its continuous weakness can be a great de-stabiliser. We are almost certainly the only group in the world capable of providing not a complete substitute but an alternative.

I see no medium term way forward except by giving a new, non-utopian but more urgent and contemporary impulse to the old idea of economic and monetary union (EMU), particularly its monetary aspect.

The benefits both to our stronger and weaker economies could be immense, certainly amounting to an impulse comparable with that which came from the establishment of the Customs Union itself.

The balance between benefits for both stronger and weaker economies is in my view essential. We will never, and understandably never, get major steps forward that are in the interest of only one or the other. But this need not be so. The strong have an immense amount to gain from the strengthening and underpinning of the unity of the market, that is its monetary and political stability.

For the weaker economies there are also immense, albeit different, advantages: above all protection from the gusts of exchange rate inflation and other upsets, including those arising from balance of payments difficulties, which come from being tossed about as frail small craft on an irrational world monetary sea. As part of the process there must also be greater transfers of resources. Clearly this would need to be within a clear framework of purpose and not just as charitable handouts. Moreover there would have to be the clearer and more permanent acceptance of common monetary and anti-inflationary disciplines.

But it is all Members of the Community, strong and weak and those in between, which would stand to benefit from a renewal of that more broadly based and robust economic expansion which only an economic and monetary union would permit. It is worth reflecting on how the United States is at present able to sustain its expansion in spite of certain major economic weaknesses. Not all of us are strong all the time, nor always weak. Those at present in between have shown great economic dynamism in the past decade but now seem hamstrung by the interaction of factors making for external and internal monetary instability.

The moment is propitious for the acceptance of much stronger common disciplines, providing these balancing factors were there. No-one can contemplate the course of the past few years in some of our member countries and believe that there is salvation in monetary indiscipline, in letting the exchange rate and the money supply go and accepting the inflationary consequences. You get the inflation, your currency sinks, but you are not compensated by greater growth or reduced unemployment. It is only return to discipline which produces an improvement and the beginning of the establishment of a platform for sustained growth. As a former British Minister, I can refer to the striking example of my own country's recent experiences.

I believe there are two essential further points in the analysis.

First, we will not get monetary union either by just proclaiming it and believing that separate currencies can be told not to diverge, nor by an inevitability of gradualism in which everything happens painlessly, effortlessly, without any major act of political will.

Secondly, it is not the case that an equality of performance is a pre-requisite for EMU. Common policy, common disciplines. Yes, obviously yes. But not the same standards of living, levels of output in Hamburg and Palermo, or in the future Copenhagen and Lisbon. Monetary unions have worked to the benefits of both richer and poorer areas with at least equal discrepancies in the past. They do indeed work within our Member States today where the natural discrepancies are very great, although greatly evened up by fiscal transfers. This distinction is vital. If equality of performance were necessary, it would be meaningless to talk about EMU for our lifetime or even our children's lifetime.

We need to look afresh at what monetary union would involve for the Community. Although I should emphasise that I do not foresee such a union as something for tomorrow, if we are to set ourselves an objective, it should be one within practical reach, something on, but not over, the horizon. What I envisage in the short run is the setting of an objective and the reorientation of our existing policies in terms of it. Decisions on major economic and monetary issues should be taken within the framework of policies which will eventually lead to monetary union. This is less than making for union in a straight line; but it is more than the coordination which is sometimes held up as sufficient for our current needs.

What now has monetary union to offer? It would obviously imply a lot in terms of European political integration, but I doubt if any among you would be willing to take a step of this size unless you were convinced that there was a clear, functional and economic need for it. Europe will not accept it purely for ideological reasons. I believe that if you look at the nature of the proposition in this light, as I endeavoured to do in some detail in a speech recently in Florence, deploying seven separate arguments, that the economic case is vastly stronger than it is commonly supposed to be.

Today I do not ask those of you who are still perhaps a little sceptical to accept this argument to the point of a major, new, immediate commitment. But I do ask you to give the idea of a renewed Community initiative in this area a 'fair wind'. To do this in a way that is reasonably prudent at this early stage, yet useful in itself, and also sufficient to carry credibility and to reawaken interest outside the Community institutions, I ask you to do three things:

First, agree to a number of practical initiatives, and encourage others that are in train. Here I have in mind the new Community Loan instrument, the renovation of the Regional Fund, and measures to improve economic policy coordination, our payments support mechanisms, to alleviate structural problems in certain industries, and youth unemployment. Only the new Community Loan instrument needs to be discussed in any substance at this stage in our proceedings.

Second, encourage the Commission to elaborate in more detail what would be the conditions and merits of an accelerated move to economic and monetary union. Here I have in mind two kinds of work: on the one hand, analysis of why and how the union would change so significantly for the better our prospects for employment, and stable monetary conditions; on the other hand, what should be the design of the bones and sinews of the union. Here we need to look for a model for the Community's monetary, financial and institutional organisation which should almost certainly be something sui generis, corresponding to no preconceived prototype.

In considering what its shape and powers might be, I think we have to go for something small in size and limited in the scope of its responsibilities. The federal organisation of the United States, with its massive powers in the field of social security, is not only no analogy, but almost the opposite of what I have in mind. I would envisage a decentralised form of monetary union in which the public procurement of goods and services is primarily in national, regional or other hands. The public finance function would be limited to a few important kinds of financial transfer, designed to fulfill specific tasks in sectors of particular concern to the Community, and assuring the flow of resources necessary to sustain monetary union. For these purposes only a small central bureaucracy would be required. I doubt if any of the Member States would wish otherwise.

Third, agree now to a new procedure for a rolling five-year programme, subject to annual review and control, and so provide the formal framework in which we can put together the individual practical steps of progress and relate them to the broader perspective as and when this takes firmer shape.

In conclusion, I believe the European Council should deliberate in such a way as to reawaken interest outside the Community institutions in this project - in political, academic, business and trade union circles. The issues at stake are so great and difficult that we can only benefit from a period of renewed debate and analysis across the whole of the Community. I believe the fundamental proposition is robust enough to derive increased rigour and support from such a process. Economic and monetary union will in any case have to come to be seen as a compelling necessity by a wide range of public opinion before it can happen. But without the will to make it happen and to direct our intermediate policies, we would be without a lodestar in an increasingly discouraging world."

### 3. CARRIAGE OF PASSENGERS BY COACH AND BUS BETWEEN MEMBER STATES: PROPOSED IMPROVEMENTS

The Commission recently placed two proposals for regulations before the Council aimed at improving the present arrangements concerning the carriage of passengers by coach and bus between Member States (1). The first proposal concerns shuttle services, especially those comprising transport and accommodation - with or without meals - for the passengers; the other proposal relates to regular and special regular services, the latter mainly providing out-and-return-services for workers and schoolchildren between home and work or school.

The proposed amendments, which draw on practical experience, set out to simplify the administrative formalities for the issue of authorizations provided for by the two Regulations which the Council adopted on 25 February 1972. As regards regular and special regular services, it is also proposed to allow Member States by mutual agreements, the right of issuing "provisional" authorizations in certain cases. This right could be used for the introduction of services which cannot be carried out under the existing arrangements and to meet transport requirements which are so urgent as to make it impossible to await the completion of the usual prior consultation procedure by Member States - often a lengthy process. Note, however, that the issue of a "provisional" authorization in no way affects the final decision on the application to institute the service in question.

The two measures are therefore designed to facilitate the establishment of the services in question between Member States and, consequently, to improve the carriage of passengers by bus and coach.

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(1) COM (77) 562 and COM (77) 563

#### 4. British Trades Union Congress (TUC) Annual Congress, September 1977

In the opening address to Congress, Mrs Marie Patterson, President of the TUC, said that the better the example set by the trade union movement, the better the chances will be for women to find their rightful place in every other walk of life. The key lay in the increased participation and increased responsibility of women within the trade unions and this should be the concern of every active trade unionist. Mrs Patterson placed much emphasis on encouraging women to participate in the union movement, first because women were the largest group of low-paid workers in the United Kingdom and this exploitation undermined the rights and aspirations of all workers, and secondly because the support of everyone - women no less than men - was needed to tackle social issues on which the TUC quite properly seeks to represent working people and their families.

She reminded delegates that the present Labour Government had been a reforming government which has passed industrial legislation of considerable benefit to the trade union members and in particular accorded women statutory maternity protection, a better deal for part-time employment, and equality of treatment in pension rights. These advances, together with the Equal Pay Act and Sex Discrimination Act, marked genuine progress. However, Mrs Patterson stressed that no employment rights or measures to protect working people could ever operate without a strong trade union movement, and the struggle for maintaining and improving conditions for working people would be undermined if workers allowed themselves to be divided by race, sex, creed or marital status.

After outlining the TUC's activities in the fields of education and social security, not only for union members but also for disadvantaged groups such as old age pensioners and one-parent families, Mrs Patterson underlined the necessity for solving the unemployment problem and expanding the economy if social policies were to be fulfilled. Social and economic justice cannot be achieved against a background of public spending cuts, rising prices, and increasing unemployment.

#### Address by the Prime Minister

On the second day, Congress was addressed by the Prime Minister, Mr Callaghan, who said that whatever happened in deliberations between the Labour Government and the trade unions concerning economic and wages policy, there would be no lessening of the need for the closest cooperation between them. After thanking the trade union movement for two years of self-imposed wage restraint with all the problems associated with such a voluntary policy, Mr Callaghan stressed that the best way to safeguard trade union interests and especially to avoid serious inflation over the next twelve months was a combination of moderate earnings increases and reductions in income tax. While recognising the unions' desire for a return to free collective bargaining, the Prime Minister warned against a situation in which free bargaining resulted in high wage settlements and leapfrogging of wage claims. It was the Government's view that its objective of the twelve month interval between wage settlements, though not a complete guarantee against inflation, would nevertheless be extremely helpful, and such an objective would be pursued in industries and services where the Government had influence. Although free collective bargaining did facilitate flexibility and the ability to differentiate, it was the Government's view

that the marked reduction in the rate of price increases and prospects for a below-10% inflation in 1978 would be seriously undermined by outrageously high wage settlements likely to come from a free bargaining situation.

Mr Callaghan emphasised that he would not be satisfied until the annual inflation rate was below 10% and he looked forward to being able to offer some stimulus to the economy, possibly in the Autumn. The stimulus would not be an intense burst, as in 1973, nor a pre-election sprint in an attempt to deceive the electorate, but rather a steady rate of expansion which could be sustained and which would ensure no further reductions in the standard of living in the years ahead. He made it clear that there was no question of returning to the 1974-75 period of unprecedented inflation, and he hoped that Congress would ratify the Joint TUC-Labour Party Statement for the next three years which covered, amongst other issues, proposals for investment and help for the unemployed.

### Economic Policy Debate

The debate on economic policy, and in particular the vote on the future pay policy, dominated the week's proceedings at Congress. The debate centred on a resolution that:

"This Congress, recognising the sacrifices and self-restraint shown by workers during the past two years in their commitment to the Social Contract, instructs the General Council to call for an immediate return to free collective bargaining at the end of the second stage of the Social Contract with a confirmation of the 12 month rule between settlements.

Government action is urgently required if the necessary climate for an orderly return to free collective bargaining is to be established and achieved requiring further reflation of the economy to reduce unemployment and allow living standards to rise again."

Opening the debate, Mr Len Murray, General Secretary of the TUC, said that the TUC-Labour Party document, "The Next Three Years and into the 80s", dealt with the transitional years leading to the opportunities which would open up to Britain in the 1980s, opportunities which would only be realised if the trade union movement retained a sense of unity of purpose and sense of priorities and timing that it had shown over the past two years.

Mr Murray made it clear to the Government that as far as trade unions were concerned, the biggest and most damaging deficit in the economy was not the balance of payments or public sector deficit, but the deficit in jobs. The unions and the nation needed growth in employment, a reduction in the working week and year, and a growth in living standards, this progress requiring new investment allied to policies to create new job opportunities. Stressing that the objectives of a return to voluntary collective bargaining, reduction in unemployment and fight against inflation defined in last year's Congress still held, Mr Murray pointed out that desirable as a return to free collective bargaining would be, it would not wipe out all the present troubles at a stroke. It would do no good at all if unions felt they could catch up with what they has lost (over the past two years) and restore their wage lead over other unions. There was in Mr Murray's view no doubt whatsoever of a return to free collective bargaining: the issue now was how best to restore this and how quickly.

"Going back to voluntary collective bargaining cannot mean going back on our word. It must mean keeping the rule of 12 months between wage settlements. The 12 month rule is not only, not even mainly, a bargain we made with the Government, it is a bargain we made with each other in this Congress."

Mr Murray appealed to Congress to vote in favour of the motion on the 12 month rule.

The motion, moved by Mr Hugh Scanlon, President of the Amalgamated Union of Engineering Workers (AUEW), the third largest union affiliated to Congress, was seconded by Mr David Basnett, General Secretary of the second largest union, the National Union of General and Municipal Workers (NUGMW). On the basis of a card vote, Congress decided by 7.1 million votes to 4.3 million in favour of the motion, the motion being opposed by mineworkers, train drivers and transport workers unions. A motion opposing any arrangement involving a restrictive pay policy was defeated by three million votes, and an amendment declining to approve the TUC General Council's endorsement of the 12 month rule was rejected by 2.8 million votes.

#### International Committee Report

Mr Jack Jones, General Secretary of the largest trade union, the Transport Workers Union, introducing the report of the International Committee of the TUC, said that for most union members international affairs remained something apart from day-to-day union activities, in spite of the fact that the strengthening of international trade unionism was vital if union members were to help each other more effectively whether in prisons in Chile or in the Globtik Venus affair. In the context of warnings on the dangers of facism, Mr Jones said that, "Until we can change that attitude (of union members' remoteness from international affairs) we are in real danger from the prejudice and violence of present day facism with its reactionary groupings which are ready to exploit any situation likely to set them on the path to power in the Hitler tradition."

The TUC International Committee recognised that contact between trade unionists throughout the world could make a vital contribution to peace and understanding and it would continue its endeavours in that direction. Mr Jones pointed out that the 1976 Congress had taken great satisfaction in the termination of dictatorship in Spain, and that now Spanish trade unions were asserting their freedom in rebuilding a democratic trade union movement. The same message of unity should go out to trade union friends in Portugal. On South Africa, Mr Jones said that British employers in that country did not reflect well of British industry in that they could not recognise a black African union in advance of such recognition by South African employers.

Finally, the International Committee had supported moves towards realising majority rule in Rhodesia as well as for the liberation of Namibia since it recognised that trade union progress in those countries was very much bound up with majority rule.

#### The European Community

A motion, presented by a white collar union representing technical, scientific and management workers, called for Britain's withdrawal from the European Community. It was asserted that the British people were convinced that far from helping to resolve the country's economic problems, Community membership had in fact exacerbated them; that they had been misled about the benefits of Community membership which had not in any case materialised; that the CAP was an unmitigated disaster for the British housewife, and that the growing disillusionment with the Community showed itself in the opinion polls. Reference was also made to the fact that cars imported by British manufacturers from plants in other Member States would have been produced

in Britain had the country not been an EEC Member. The seconder to the motion asserted that the economic benefits of North Sea oil would have to be diverted from the national economy to offset the growing trade deficit between the UK and the Community, and that the alleged disadvantages which would arise from Britain's withdrawal were in no way insurmountable given the political will to resolve them. Opposing the motion on behalf of the TUC General Council, Mr Jack Jones, General Secretary of Britain's largest union, the Transport and General Workers, argued that after both the Parliamentary vote and a referendum - whose result the unions pledged to accept - it would be politically unrealistic as well as undemocratic for the trade union movement to continue to press for British withdrawal from the EEC.

The motion was overwhelmingly defeated on a show of hands vote.

A second motion on the Community, proposed by a white collar union organising local government employees, expressed concern at the growing influence of the EEC in day-to-day affairs of the British trade union movement, and at the less than adequate union machinery for dealing with proposed legislation. The motion requested the General Council to effect improvements in Congress House machinery for monitoring and informing affiliates on Community developments important to British workers, and to initiate talks with the Commission and ETUC with a view to providing machinery for draft legislation to be made available to the TUC, to ensure British union representatives are included in the Commission's consultative committees, and to extend joint industry committees, particularly into sectors of public service.

The motion was carried overwhelmingly by Congress.

## 5. TUC Women's Delegation visits Brussels

On 2-4 November a TUC delegation of 13 women trade unionists, drawn from affiliated unions and including two TUC staff, made a two-day information visit to the European Commission in Brussels, the visit being funded by the Trade Union Information Division and organised in conjunction with the Community's London Office.

The group consisted of members of the TUC Women's Advisory Committee and of the Women's National Commission and included Mrs Marie Patterson and Miss Ethel Chipchase. Mrs Patterson, who has been President of the TUC twice, her second term of office finishing in September 1977, is National Women's Officer for the Transport and General Workers Union, Vice Chairman of the TUC, and Chairman of the TUC Women's Advisory Committee. Miss Chipchase is Assistant Secretary, Organisation and Industrial Relations Department of the TUC, Secretary of the TUC Women's Advisory Committee, and is currently Co-Chairman of the Women's National Commission.

The visit was of particular significance since it was the first to be organised through and sponsored by the British TUC. The programme included discussions on Community policies for women, food prices and agriculture, the work of the Social and Regional Funds, and employment problems and the Tripartite Conference. The group reflected the critical views of the British trade union movement on a number of Community issues, in particular on agricultural policy and food prices, and was also very interested in the Community's work in the field of consumer protection.



## 6. PSI 21st Congress

The Public Service International (PSI) held its 21st Congress in Edinburgh between 19-22 September 1977. Over 300 delegates from all over the world representing 114 affiliated unions from 44 countries attended the Congress. PSI is an international federation of manual and non-manual trade unions organising in the public sector, that is representing workers in national, regional and local authorities but excluding workers in the post, telegraph and telephone services, teachers, and workers in the main railway networks. About two thirds of PSI's total membership of about 5 million is in Western European countries, and the 3.1 million members in EEC countries constitute 42% of total membership. Since the last PSI Congress in 1973, 33 unions have affiliated to the International.

In his opening address, PSI General Secretary, Karl Franken, stressed the difficulties facing the International in its African and Asian regions, in particular the unsympathetic and uncooperative positions of governments with regard to the needs and demands of public sector unions.

A major theme in the Conference was the concern of trade unions over the increasing practice of "contracting out", that is, of allowing the profitable areas of public sector activity to pass into private hands. Congress received reports on this problem from eight Western European countries as well as Africa, the Caribbean, New Zealand, Australia and the United States.

In an address to Congress entitled "The Public Sector and the Mixed Economy", Dr R. Opie examined the unprecedented cut-back in public expenditure and its effects upon the public sector in democratic societies. In Dr Opie's view the public sector was the collective conscience of the people and he was critical of those who advocated reductions in the role and scope of the public sector in a mixed economy. Public sector expenditure ought to be increased during the present period of serious unemployment and not cut back, which appeared to be the universal practice of governments.

Other speakers appealed to the PSI and its affiliates to bring pressure to bear on governments guilty of harassing and oppressing public sector unions, this pressure being directed to the freedom of organisation of unions, freedom of such unions to operate equal to their private sector counterparts, separation of governments' functions as an employer and a legislator, and the codification of trade union law in the enactments.

The Congress approved 14 resolutions and referred two on a possible merger of PSI and another trade union international. Resolutions approved included two on the ILO, two on trade union difficulties in two overseas countries, four on PSI rules and changes in procedure, one each on womens rights in public service and on contracting out, and two on trade union rights and freedoms.

## 7. PTTI 14th European Conference, London

On 25-28 October 1977 the Postal, Telegraph and Telephone International (PTTI) held its 14th European Conference in London at the invitation of five UK affiliates - the Union of Post Office Workers, Post Office Management Staffs Association, Post Office Engineering Union, the Society of Post Office Executives, and the Civil and Public Services Association.

The PTTI is the International Trade Secretariat for trade unions in the postal and telecommunications services and has a total worldwide membership of 3.3 million, of which over one million members are to be found in EEC countries. The London Conference was attended by over 300 delegates and speakers addressing the Conference included Herr Ernst Breit, Vice-President of PTTI, Mr Len Murray, General Secretary of the TUC, and Mr Eric Varley MP, UK Secretary of State for Industry.

In his opening address, Herr Ernst Breit, Vice-President of PTTI, pointed out that the European Conference of PTTI was one of the most important, bringing together over 40 affiliated unions from 20 European countries. Herr Breit said that the creation and development of the European Trade Union Confederation demonstrates that, despite ideological differences, the trade union movement is able to cooperate on important issues. Indeed over the past 20 years the trade unions had been very much involved in efforts to relax tensions in Europe, and events in Spain and Greece had shown that free and independent trade unions were indispensable for democracy.

In his address to the Conference, Mr Len Murray, General Secretary of the British TUC, pointed out that PTTI unions were very much concerned with both new technological advances which were revolutionising relations between people and also balancing the economic and social costs of such developments. Workers stand in the front line of technological change and PTTI unions are, in Mr Murray's view, in the forefront of thinking through the implications of technological change for industry and society. Mr Murray believed that given their undisputed function of protecting the rights of individuals through collective action, trade unions were among the most important organisations which will advance the personal freedoms of Europe's citizens. Finally, Mr Murray pointed out that the growing interdependence between countries and between workers in Europe necessitated new institutions and new programmes to match these developments; the ETUC and the trade union secretariats were important institutions in this context.

Addressing the Conference, Mr Dario Marioli of the European Trade Union Confederation (ETUC) expressed concern at the great increase in the numbers of non-established personnel in public service, a development which shattered the myth of guaranteed job security in the public sector. The problem was in his view aggravated by allowing the more economically viable parts of the public service to pass into private sector hands. The closure of post offices and telephone exchanges through rationalisation and automation had, in Mr Marioli's view, serious consequences for workers, often necessitating their transfer to other areas in order to safeguard their job security.

Mr Marioli outlined an action programme, drawn up with the active support and cooperation of the PTTI General Secretary, for reducing working life.

The four elements of the ETUC action programme - increasing annual holidays, lowering of the retirement age, reduction in daily hours of work, and a raising of the school leaving age - could not in his view be realised simultaneously, however desirable this might be, and the ETUC itself does not have the powers, means or competence to effect these solutions on its own.

In concluding, Mr Marioli, underlining the vital role of trade union committees in the life and work of the ETUC, said that the ETUC's effectiveness was greatly influenced by the support of union bodies, like the PTTI, especially in their active participation in the decision making processes.

The General Secretary of PTTI, Mr S. Nedzynski, in his address, expressed the anxieties of PTTI workers over employment and job security, and pointed out that in spite of the apparent concern of governments, politicians and businessmen, ordinary working people could not see this concern transformed into effective action. Within the PTT sector employment prospects were, in Mr Nedzynski's view, strongly influenced by general economic conditions and the demand for PTT services as well as the impact of technological advances on the demand for labour. These developments had been aggravated by other longer standing changes namely, attempts by private industry to take over the profitable PTT services and the tendency by some PTT administrations to seek as an absolute priority good commercial operation at the expense of the quality and scope of services. The General Secretary stressed that given these circumstances, the PTTI unions were determined to play a full role in transforming the PTT sector into a viable expanding modern industry, this objective to be pursued at both European and international level on the basis of common agreed objectives. The PTTI were, however, critical of the apparent lack of control of CEPT - the European-level PTT industry organisation - and the PTTI would not rest until it wielded real influence in CEPT in order to defend the interests of workers and participate effectively in action that CEPT should be taking to shape the future of the industry.

In concluding, Mr Nedzynski said that recent victories for democracy in Western Europe were very encouraging and the PTTI welcomed the presence at the Conference of 3 Greek PTT unions for the first time since 1964, and of Spanish unions for the first time ever.

A recurring theme throughout the Conference was the impact of technological changes in the post and telecommunications sector. This was highlighted very clearly by Mr Bryan Stanley (POEU), who outlined a five-point challenge which technological change posed to PTTI unions namely, that unions must actively ensure that members were adequately protected in the face of rapid technological change; that members were fully trained in handling the new technology; that union members received a fair share of the benefits of technological change; that the telecommunications services grow rapidly whilst at the same time being protected from encroachment by the private sector; and finally that PTTI unions must guard against the activities of multinational companies which could pose threats to the job security of all workers.

Conference passed Resolutions on South Africa, the general economic situation and the duration of work and the arrangement of working life, and received reports on Vocational Training in PTT Administrations, Safety of PTT Personnel in Europe, and PTTI Activities in Europe.

8. Second Joint Information and Working Conference of the Interregional Trade Union Council, Saarland-Lorraine-Luxembourg, on 11 and 12 November 1977 in the European Centre in Luxembourg

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The Second Information and Working Conference of the Interregional Trade Union Council, a body bringing together trade unions of the Saarland, the Lorraine region and Luxembourg, took place on 11 and 12 November 1977. The agenda for the meeting included the following items:

1. The employment situation of the region Saarland-Lorraine-Luxembourg;
2. The situation of the steel industry in this region;
3. Measures to combat unemployment in all three regions;
4. A proposal by the European Trade Union Confederation to resolve the problem of unemployment in the European Community.

These items were debated by representatives from the national governments, from the regional and European trade unions and the European Commission. The Government of Luxembourg was represented by Mr Benny Berg, Deputy Prime Minister and Minister of Labour, Mr Maurice Thoss, Secretary of State responsible for labour questions and Mr Roger Krieps, Minister of Education. The Government of the Federal Republic of Germany was represented by Mr Erwin Weis, Personal Assistant to Chancellor Helmut Schmidt, and the European Commission by Mr Christopher Wilkinson of the Directorate-General for Regional Policy, and Mr Helmut Ries of the Directorate-General for Information. From the trade union side, Mr Mathias Hinterscheid, Secretary General of the European Trade Union Confederation, Mr Manfred Wagner, President of the Interregional Trade Union Council and Mr Bernard Mourgues, Secretary General of the F.O. Metal Workers Federation, took part in the discussions.

During this two-day meeting, problems concerning the future of the steel and the textile industries of this important European region were discussed, and a joint resolution was adopted, which included the following points:

- The structural effects of the world recession which have still not been overcome are becoming clearer. This applies increasingly to the factors determining the location of the traditional industrial areas of Europe.
- The areas of the Saarland, Lorraine and Luxembourg, which are similar in structure, have been affected by the world crisis, and this has been aggravated by the fact that the employment situation in these three coal and steel producing areas has deteriorated to an unprecedented extent because of the continuing steel crisis.
- In view of this situation, it is more and more urgent that the demands and proposals included in the joint resolution of the Information and Working Conference of the Interregional Trade Union Council on 21/22 January 21/22 January 1977 at Montigny-les-Metz should be examined seriously and acted upon by the Governments of France, Luxembourg and the Federal Republic of Germany as well as by the regional bodies responsible for economic policy.

- The responsible economic and political bodies in the Saarland-Lorraine-Luxembourg region have themselves to draw up proposals and put forward a cross-frontier crash programme to safeguard the iron and steel industry and, in addition, a development programme for this European region, the implementation of which can be expedited with the support of the national governments and the European Community. These programmes must be firmly anchored in a European sectoral steel policy which should take account of a series of considerations which have been made in this resolution.

The resolution has been adopted unanimously by the Interregional Trade Union Council and sent to the governments of France, Luxembourg and the Federal Republic of Germany as well as to the European Commission.

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