

Official Journal

of the European Communities

ISSN 0378-6986

C 206

Volume 40

7 July 1997

English edition

Information and Notices

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Price: 30 ECU

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II

*(Preparatory Acts)***ECONOMIC AND SOCIAL COMMITTEE****Opinion of the Economic and Social Committee on the 'European Commission Green Paper:
Future noise policy'***(97/C 206/01)*

On 12 November 1996 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned green paper.

The Section for Protection of the Environment, Public Health and Consumer Affairs, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 April 1997. The rapporteur was Mr Boisserée.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 93 votes to one, with two abstentions.

1. Introduction

1.1. The Commission begins its green paper with the following statement:

'Environmental noise, caused by traffic, industrial and recreational activities, is one of the main local environmental problems in Europe and the source of an increasing number of complaints from the public. Generally however action to reduce environmental noise has had a lower priority than that taken to address other environmental problems such as air and water pollution.'

The green paper seeks to give higher political priority to combating noise.

1.2. The green paper flows from the 5th Environmental Action Programme of March 1992⁽¹⁾ which announced noise abatement measures and contains some specific target values (see the annex to the green paper). The Commission proposal of January 1996⁽²⁾ revising

this programme announces an action plan including measures for implementation of the said target values; through the action plan the Commission intends to concentrate, in enacting legislation at Community level, on measures covering 'products' which give rise to noise emissions.

The Commission intends to prepare this action plan via the green paper.

The green paper is intended to provide a basis for political and expert discussion on the extent and timescale of the proposed action plan and on the instruments for implementing it.

2. General comments on the green paper

2.1. Protection against noise must be an integral part of environmental policy. The Commission points out that large segments of the European population are exposed to noise levels regarded by experts as intolerable in health terms. Polls carried out by the Commission and some Member States confirm that large population groups, primarily in large cities and conurbations, are indeed affected. Public complaints about noise have increased in recent years. The main reason is that the number of noise sources (e.g. in road traffic) has

⁽¹⁾ COM(92) 23 final — OJ No C 138, 17. 5. 1993.

⁽²⁾ OJ No C 140, 11. 5. 1996.

increased; this increase has outstripped technical improvements in noise abatement. The Commission estimates that more than 80 million people are exposed to intolerable noise levels.

The Committee regards this estimate as accurate in terms of order of magnitude.

2.2. Unfortunately, Community environment policy has not addressed protection against noise systematically and has focused only on some, albeit important, noise sources, often without regard to the impact of these sources on the general noise levels. The ESC therefore regards it as important that a new European-level blueprint for noise abatement be developed, in which the weaknesses and loopholes in existing rules and evaluations can be overcome and the 'state of the art' knowledge and technology can be taken into account. The necessary measures should be prepared without delay. The ESC trusts that the submission of the green paper is not indicative of any delay in this programme.

2.3. The content of the green paper is welcomed in principle.

There can be no doubt about the mandate for measures at Community level, even when the subsidiarity principle is taken into account.

- Health protection measures are directly covered by the objectives set out in Article 130r of the EC Treaty; the article implies a mandate to enact measures to secure 'at a high level of protection'.
- Measures to reduce noise and to protect people against noise (including the planning of transport, infrastructure and residential areas) have economic effects; differing levels of protection or disparate measures could give rise to distortions of competition within the single market; this too provides a mandate for action at Community level.
- The need to draft legislation or agreements at Community level also extends to evaluation and measurement procedures as this is the only way of determining if the protection levels called for in Article 130r have been achieved.
- However, the programme set out in the green paper does not confine itself to Community legal instruments but involves coordination of measures taken by Member States and local authorities; this is in line with the 5th Environmental Action Programme, which is addressed to the various environmental policy players. In this respect the programme is also to be implemented via recommendations to the Member States (Article 189 of the EC Treaty).

— Implementation of noise protection provisions cannot be guaranteed without sanctions in respect of failure to fulfil statutory obligations.

— In connection with the implementation of the planned action programme the ESC proposes a recommendation to the Member States that they provide for adequate criminal and/or administrative sanctions. With regard to harmonization within Europe, we would refer to the draft Convention on environmental protection through criminal law, drawn up by the Council of Europe⁽¹⁾.

2.4. A number of ESC opinions, drafted by the Environment Section, deal with protection against noise:

- Opinion of 13 May 1987 on the 4th Environmental Action Programme⁽²⁾;
- Opinion of 1 July 1992 on the 5th Environmental Action Programme⁽³⁾ and Opinions on review of the action programme, dated 25 October 1995⁽⁴⁾ and 29 May 1996⁽⁵⁾;
- Opinion of 3 July 1991 on the Green Paper on the urban environment⁽⁶⁾.

These opinions largely call for specific Community measures on protection against noise.

3. Specific comments

3.1. *Harmonization of procedures for reporting noise exposure and the mutual exchange of information*

3.1.1. The measures proposed by the Commission for reporting noise exposure and promoting the exchange of information are welcomed in principle; this also applies to public information campaigns. Noise is often caused by simple carelessness of those involved (including those involved in road transport) and by faulty maintenance and handling of machines; specifically targeted information campaigns can help here. Improved cooperation between the Commission, the Member States and non-governmental organizations concerned with noise abatement is urgently recommended.

3.1.2. Reporting of noise exposure includes noise assessments. Harmonization is particularly important here.

⁽¹⁾ Council of Europe — CM 96/99.

⁽²⁾ OJ No C 180, 8. 7. 1987.

⁽³⁾ OJ No C 287, 4. 11. 1992.

⁽⁴⁾ OJ No C 18, 22. 1. 1996.

⁽⁵⁾ OJ No C 212, 22. 7. 1996.

⁽⁶⁾ OJ No C 269, 14. 10. 1991.

The Commission intends to draft a framework directive on noise measurement procedures and on evaluation of noise exposure. The ESC endorses this intention. Measurement procedures have already been largely harmonized in Europe. The Commission also points out that there is a general consensus as to what noise levels are reasonable for the public. Existing agreements can be incorporated into this directive. Even if noise abatement measures vary as to sources and situation, the measurement and assessment procedure should at any rate be uniform.

3.1.3. For defining reasonable levels, the Commission rightly relies on the criteria of the World Health Organization (WHO). In the ESC's view there are no better guide values at present.

Problems can arise in differentiating between the health (physiological) implications of noise on the one hand and simple nuisance on the other. Moreover, nuisance and medical effects can overlap. Evaluation of the nuisance is therefore difficult, as it is not free from subjective elements (attitude of those affected to the noise source and to the frequency of the noise). The WHO criteria attempt to take account of these problems in their normative structure.

3.1.4. In the green paper the Commission refers frequently to the importance of noise maps as a basis for situation assessment, but also for land-use planning and information to the public.

In principle such noise maps, if based on practical surveys or calculations, are suitable for planning and information measures. However, the following framework conditions, derived from experience in the Member States, should be taken into account:

- noise maps appear to be worthwhile if they form the basis for practical noise reduction plans;
- noise maps are designed to provide spatial presentation of noise exposure, and not as statements of the situation at specific points. Hence no specific statements, e.g. on the evaluation of building plots, can be derived from them.

3.2. *Establishment of target values and adoption of provisions on measures to achieve these target values*

3.2.1. The Commission announces the establishment of target values and measures for implementation 'for a later stage'. The 5th Action Programme (1992!) already contains such target values, in some cases with deadlines, which in general have not been met. According to the principle of prevention, such target values are urgently necessary for the priority areas for protection against noise. They should not now be put off to some distant future.

3.2.2. According to the green paper noise emissions are to be reduced not only through administrative measures but also through economic instruments.

3.2.3. Economic instruments would normally mean taxes and levies to be geared to the scale of the noise emission. This should provide an incentive for the acquisition and operation of low-noise machinery etc. This is acceptable to the ESC; however, the Committee opposes the use of fiscal measures as a kind of 'punishment' of those responsible for noise or as a source of public revenue. Economic instruments are not a substitute for the adoption of provisions on emission limit values; in general the ESC regards limit values as more suitable than fiscal measures for protecting the population.

3.2.4. Economic instruments would also include provisions on increased liability for damage (including damage to health!) caused by noise. As far back as 1994, the ESC had called for directives or recommendations on greater environmental liability at European level⁽¹⁾. The ESC has in principle endorsed fiscal measures as a suitable way of promoting sustainable development⁽²⁾.

3.3. *Reduction of road traffic noise*

3.3.1. We confirm that dealing with road traffic noise must take priority. The proposed measures are regarded as adequate. As vehicle engines become quieter noise caused by movement increases. Measures to reduce such noises (e.g. measures on vehicle tyres) should not however be allowed to jeopardize road safety.

3.3.2. On the incorporation of noise exposure costs in fiscal instruments, reference should be made to the Green Paper 'Towards fair and efficient pricing in transport' (1995)⁽³⁾ and the relevant ESC opinion⁽⁴⁾.

3.3.3. Incorporation of noise testing in regular vehicle safety checks ('MOTs') is important. Moreover, testing must take place under realistic operating conditions. Vehicle wheel noise is a major specific problem because of the number of vehicles in circulation, particularly in conurbations; particular stress must be placed here on testing under realistic operating conditions taking into account possible technical changes during operation; precautions must be taken to prevent drivers tampering with vehicle silencer systems.

(1) OJ No C 133, 16. 5. 1994.

(2) See for example its Opinion on the Commission Communication on economic growth and the environment — OJ No C 155, 21. 6. 1995 and its Opinion on environmental policy and the Single European Market — OJ No C 332, 31. 12. 1990.

(3) COM(95) 691 final.

(4) OJ No C 56, 24. 2. 1997.

3.3.4. Protection against road traffic noise creates a range of problems which should be dealt with by encouraging research and technological development:

- research on assessment, measurement and reduction of wheel noise, taking account of the need for road safety;
- encouragement of low-noise road surfaces, using Community funds; however, only pilot projects should be eligible for EU funding in the context of technological development.

3.3.5. The Commission merely touches on the importance of rational traffic management for protection against road traffic noise.

Investigations should be initiated to ascertain what instruments can be used to avoid unnecessary troublesome road traffic. These could include restrictions on the use of certain vehicles, e.g. vehicles without low-noise engines, and at certain times of the day.

The Commission also mentions road tolls in this context. Experience with the effects of such measures should be carefully assessed insofar as they are confined to certain road networks.

3.4. Rail traffic noise

3.4.1. We endorse the priority attached to measures to assess and reduce rail traffic noise.

This field is also important in view of the fact that the planning and construction of high-speed railway lines (as part of the trans-European network programmes) is a cause of public concern, inter alia on the grounds of noise nuisance.

The noise reduction measures proposed in the green paper, however, can be improved in line with technical progress and with the views of major railway undertakings; for example, advanced forms of transport (low-noise trains) can reduce noise emission by up to 23 dB (thus a significantly larger improvement than the reductions mentioned in points 3.2 and 4.3 (ii) of the green paper).

3.4.2. Legislation on emission limit values and recommendations for emission target values should be agreed internationally.

3.4.3. The Commission is considering the introduction of variable rates for the use of individual railway lines (as an economic instrument). However, with every additional charge on rail transport, care must be taken to ensure that the associated rise in cost for passengers or freight transporters does not push them towards other, generally less environment-friendly modes of transport.

3.4.4. The ESC confirms the Commission's view that research into more accurate evaluation, measurement and reduction of noise is urgently necessary in connection with the operation of trains.

3.5. Air traffic noise

3.5.1. The green paper's arguments here are welcomed in principle. These measures have high priority, especially for people living in conurbations.

3.5.2. The Commission proposes stricter limit values for overall noise levels of individual types of aircraft. Rules on commercial aircraft must be agreed internationally, i.e. throughout the European Union. The Commission should in future also take part in the work of the relevant international bodies, in order to further improve the limit values; technological development makes this possible at least in the medium term.

3.5.3. Air traffic for private and sporting purposes, often linked with considerable nuisance for the public, should be mentioned as requiring Community measures. The following measures should be taken in respect of this form of air traffic:

- requirements should be set in respect of reduced aircraft noise;
- criteria should be laid down for the location of small landing strips frequently used by this form of air transport, with a view to protecting neighbourhoods;
- in densely populated areas the number of landing strips and/or their operating hours should be curtailed.

Attention is also drawn in this context to the use of model aircraft, which create problems near residential areas, because of the particularly annoying nature of the noise they make.

3.5.4. The green paper does not refer specifically to helicopter noise. Noise directives for aircraft are unsuitable for helicopters. Data on permitted noise levels can be particularly misleading as guide values for actual noise effects, because noise emissions depend largely on the precise nature of the flight manoeuvre carried out. Moreover, helicopters sometimes operate in the direct vicinity of residential buildings for long periods of time.

3.5.5. The Commission mentions economic instruments to support the use and development of low noise aircraft. In particular, the idea of gearing airport taxes to the noise level of aircraft types is suggested.

Positive experience has been gained with these measures in individual Member States, but above all in the USA. The ESC agrees with the Commission that there should be a framework directive in order to harmonize such grading of airport taxes, in order to prevent certain airports securing competitive advantages by avoiding grading measures.

3.5.6. The green paper sets out EU-level framework recommendations for land-use planning around airports. It may not be simple to translate experience with airport area planning into broadly applicable EU-level values. However, it seems important to exchange experience which has been gained not only within the Community, but also in third countries (with heavy air traffic). The ESC is sceptical about the possibility of deriving models for land-use planning from this.

3.5.7. The ESC's views on traffic management (see above 3.3.5) also apply here: relief for people affected by air traffic noise can also be achieved via overall reduction of air traffic, but the tax concessions on fuel granted in certain Member States run counter to this trend; if harmonization is to be attempted, the desirability of such tax concessions should be investigated.

3.5.8. The Commission should address the question of noise pollution caused by military practice flights.

3.6. *Noise caused by machines used in the open air (building machinery, garden machines etc.)*

3.6.1. The Commission proposes a framework directive for the purpose of simplifying, completing and consolidating legislation on limiting emissions for some types of machines. It regards the adoption of limit values as necessary only for machines for which such limit values already exist, and for 'highly noisy equipment'.

The restricting of limit values to previously regulated fields is problematic, since the measures to date were not taken systematically or in line with practically-based priorities, but more or less haphazardly.

The ESC therefore calls for a comprehensive programme for protection against noise from machinery used in the open air (particularly building plant, but also agricultural and horticultural equipment). To some extent, noise problems created by machinery can only or primarily be solved by adopting rules on the distance of such machines (e.g. windmills) from the nearest residential area, unless the machinery concerned can be fitted with adequate noise protection equipment or unless rules can be laid down in respect of operating times or length of operation.

Only a comprehensive programme can stimulate technological development in noise abatement.

3.6.2. Stronger incentives (e.g. through fiscal measures) should be given for the early introduction of low noise machinery. The planned marking of machines with noise values could subsequently be supplemented by incorporation in the eco-label system, as proposed in the green paper.

3.6.3. The ESC would also point out in this context that very loud noises are caused in some cases, not by the machines themselves, but by the material being worked on. This calls for provisions on use restrictions.

3.7. *Industrial noise*

3.7.1. The impact of industrial noise should not be underestimated, particularly for conurbations, where industrial or commercial plant is located near densely populated residential areas.

Noise is generated frequently not by the production processes but by traffic travelling to and from the works or unloading outside closed industrial buildings. This noise should be included under industrial noise.

3.7.2. The Commission refers to the Directive on integrated pollution prevention and control (IPPC); it provides for the control of emissions at European level via a permit system.

The ESC believes that the framework fixed by the IPPC Directive for the major noise sources should be completed by emission values; this is also necessary to avoid distortions of competition.

3.7.3. The Committee attaches particular importance to environmental agreements between industry and public authorities to limit industrial noise. Framework conditions are to be observed and the inclusion of noise protection in the eco-audit⁽¹⁾ would be one voluntary measure in this area.

3.8. *Ascertaining the costs of noise nuisance through cost-benefit analysis incorporated in new measures*

3.8.1. Sources quoted by the Commission put the cost of noise damage at 0,2 % to 2 % of the gross domestic product of all Member States, i.e. at least ECU 12 billion per year in the Community. If a cost-benefit analysis is to be carried out, the frequently quoted costs of measures to combat noise nuisance must be seen in relationship to the abovementioned costs. In this respect, further investigations need to be carried out in line with the 'polluter-pays' principle (in particular with regard to the 'internalization of external costs').

3.8.2. The evaluation of the impact on human health and well-being is particularly important; here, however, only generalized comments and estimates are possible. Further investigations are necessary in order to secure an objective evaluation. In estimating the costs, the Commission rightly takes account also of the decline in

(¹) Regulation 1836/93, OJ No L 168, 10. 7. 1993.

the value of building sites close to loud noise (traffic noise, industrial noise or aircraft noise).

3.9. *Work on improving the quality criteria for noise exposure*

3.9.1. Improving the quality criteria for noise exposure should be the basis for environmental quality standards and planning measures.

Work on improving quality objectives should be supported, although the Commission asserts elsewhere that quality criteria are largely identical throughout the Member States.

3.9.2. For noise-abatement legislation, the Commission wishes to follow a 'parallel approach', combining environmental quality standards (based on quality criteria) with rules on emission limits. The ESC endorses this combined approach: emission-limit values are indispensable, as environmental quality standards alone would consolidate differences in the quality of specific locations and might give rise to distortions of competition.

4. Additional comments

4.1. A noise-abatement programme must contain a range of initiatives on scientific research and technological development. The Commission itself mentions these frequently throughout the green paper. The ESC opinion on the green paper suggests additional projects, though the list is by no means exhaustive.

The green paper covers sound frequencies perceptible to the human ear, but not infrasound or ultrasound. The case for adopting protection measures for these frequencies should also be scientifically investigated; the Committee would like to be briefed about the findings of such investigations.

The Committee urgently recommends that research and development work in the Community should focus on noise abatement, and that efforts be made to improve coordination and concentration.

4.2. Some fields are only touched upon in the green paper, although they are highly topical and can be of special importance at least at regional level:

— noise from recreational activities;

— noise on inland waterways arising from commercial and private water traffic.

The impact of these types of noise for the environment (human health and protection of property) should be carefully investigated. Another issue here is whether the principle of subsidiarity allows and requires Community action in this field (possibly recommendations in framework provisions); noise generated by cross-frontier traffic would require European or international legislation. Moreover, such legislation appears to be necessary where excessive noise is created by machines and vehicles and should be reduced by tightening up on authorization and technical standardization procedures at European level. Otherwise distortions of competition could occur.

4.3. On the other hand, noise in the home is a problem which must be left to Member States to deal with except where standardization of machines and building products is involved.

A clear task for the Member States or the regional and local authorities is passive protection against noise (design of walls and windows, acoustic barriers etc.) and restricting the use of sites or buildings in order to protect the neighbourhood.

4.4. Protection against noise at the workplace is covered by a number of Community provisions on worker protection. However, there are technological and acoustic links between noise at the workplace and noise in the neighbourhood. In the ESC's view, care should be taken, both on the worker protection front and in the implementation of environmental protection, to ensure that measures in one field do not shift the problem to the other field.

4.5. There are close links between noise and vibrations. These areas are to some extent linked together in statutory provisions and procedures in the Member States, although measurement and evaluation procedures vary. Measures for protection against vibrations at source⁽¹⁾ are in some cases identical to measures for protection against noise. This should be taken into account in the preparation and execution of the programme announced in the green paper. The effects of vibrations are linked particularly to damage to buildings, but, needless to say, they also affect human health.

⁽¹⁾ Causes of significant vibrations are, for example, road traffic, rail traffic, certain industrial plant and ship traffic.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the 'Communication from the Commission: implementing Community environmental law'

(97/C 206/02)

On 5 November 1996 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned communication.

The Section for Protection of the Environment, Public Health and Consumer Affairs, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 1 April 1997. The rapporteur was Mrs Sánchez Miguel.

At its 345th plenary session (meeting of 23 April 1997) the Economic and Social Committee adopted the following opinion by 106 votes to three with six abstentions.

1. Introduction

1.1. With the adoption of more than 200 legislative instruments, Community environmental legislation now forms a major part of the *acquis communautaire*. Many of these instruments are directives which have been transposed differently in the Member States, leading the Commission to pay closer attention to how the transposition and observance of this legislation can be enforced more effectively.

1.2. The purpose of enforcing the observance of environmental legislation must be to ensure that the environment is protected effectively in all the Member States and regions of the EU, so that future strategies can be developed on a level playing field; otherwise the differences which exist today could mean a distortion of competition preventing the single market from operating properly.

1.3. In this new stage the Commission proposes a series of measures which, while not losing sight of the fact that the Member States must retain their sovereignty in this area, are aimed at making environmental legislation more effective by establishing new areas for action and in particular by reinforcing existing systems. The ultimate objective is to improve the operation of European environmental legislation.

1.4. The Commission must, however, take into account the actions undertaken in the fifth Community environmental action programme⁽¹⁾, recently revised⁽²⁾, in order to integrate all these measures in the interests of sustainable development.

1.5. By the same token it should be pointed out that the Commission is preparing for enlargement of the Community through cooperation with the authorities of the countries concerned and that the implementation

of environmental legislation is, in the ESC's view, a key issue for future integration. Similarly the Commission is urged to adopt, within its terms of reference, environmental measures which can be used by other European countries.

2. General comments

2.1. Under Articles 169 and 171 of the Treaty, the Commission is responsible for ensuring that Community legislation is applied, although it must be pointed out that these articles (Article 169 especially) were not adopted specifically to protect the environment; their formal and lengthy procedure means that decisions take a long time and are consequently less effective in an area where measures are required to prevent further damage.

2.2. It should not be forgotten that the application of Community environmental legislation varies considerably from one country to another, in some cases because of the diversity of climatic, geographical and environmental conditions, in others because of the relationship between the proposed measures and economic realities (population, income, etc.). At all events, none of these reasons justifies failure to comply with the environmental regulations, unless it be that, in accordance with the subsidiarity principle, the competent authorities may adapt them to local differences.

2.3. Furthermore, the fact that different authorities are responsible for the environment, from national government down to local bodies, complicates the implementation of legislation; since there is no uniform political model in the Member States, it is difficult to establish a single system for monitoring the enforcement of environmental legislation.

2.4. To judge from the complexity of environmental legislation, it is clear that the rules need to be redrafted clearly and precisely; the aim must be to simplify and

⁽¹⁾ OJ No C 138, 17. 5. 1993; OJ No C 287, 4. 11. 1992.

⁽²⁾ OJ No C 140, 11. 5. 1996; OJ No C 212, 22. 7. 1996.

consolidate the rules as necessary, and then to compile them thematically, at all times bearing in mind the principles of prevention and precaution as called for in Treaty Article 130r(2). This should improve compliance.

2.5. At all events, the content of international treaties and conventions signed by the EU must be reflected in all EU environmental policies.

3. Measures proposed for the implementation of environmental legislation

3.1. The measures contained in the Commission's communication fall into two parts; firstly, measures affecting the Member States, based on the establishment of guidelines to facilitate environmental inspection and the creation of a procedure for complaints and access to justice; secondly, reinforcing the existing Community system.

3.2. *Measures affecting the Member States*

3.2.1. Regarding the measures affecting the Member States, it should be pointed out that since the directive is the most widely used legislative instrument, their transposition into national law may vary considerably. In practice this creates real differences from one country to another, though not necessarily a failure to comply with the directives. Under Treaty Article 155 the Commission is entrusted in general terms with the task of ensuring that the provisions are applied.

3.2.2. The first guideline which it is proposed that the Member States follow is that they use the powers conferred on them by Treaty Article 5 (adoption of all appropriate measures to ensure fulfilment of Community obligations) to set up an environmental inspectorate with general powers to ensure that the rules are respected, with special emphasis on checking industrial emissions and environmental quality standards.

3.2.3. The justification for this measure is that the existing systems face difficulties in enforcing environmental legislation effectively. Nevertheless, it will be the Member States who decide whether the present systems — where they exist — are adequate or not for implementing this measure, in accordance with rules adopted at Community level.

3.2.4. The Committee welcomes the Commission's proposal to draw up recommendations for a harmonized environmental inspection system. For it to be really effective however, the present situation needs to be

studied first, a task best entrusted to IMPEL⁽¹⁾ and the Environment Agency.

3.2.5. The Committee thinks that for the proposed inspection measures to be effective, the Commission must reinforce its monitoring and inspection powers in the Member States on the basis of Treaty Article 155 and even, if necessary, provide itself with the means of doing this.

3.2.6. The second measure proposed, a complaints and investigation procedure, concerns the minimum criteria which the Commission considers should govern the systems established in the Member States.

3.2.7. The current systems range from an ombudsman, parliamentary commissioner, attorney, etc., to countries with no specific body. Their effectiveness is uneven since it depends on the powers conferred on them by national legislation.

3.2.8. A non-judicial procedure for environmental complaints would mean that, through the environmental recommendations, some minimum criteria would be established for resolving complaints and for the investigations needed to enforce the rules. In this way the bodies set up would be recognized by the public and their rulings respected by the parties.

3.2.9. It is necessary to point out that, while for consumers the effectiveness of action by complaints bodies has been demonstrated, in the case of the environment it is difficult to predict the outcome, taking into account the scale of the damage, the dispersion of those affected and, above all, the lack of Community rules to regulate environmental damage compensation.

3.2.10. The third measure proposed is to facilitate access to justice for environmental complaints as a last resort to solve problems; this is difficult nowadays as the procedure is cumbersome and lengthy.

3.2.10.1. For access to justice to be effective, certain reforms should be considered: first of all, the right to bring an action must be broadened along the lines of a class action before an administrative court or the Court of Justice in Luxembourg, so that an action may be brought not only by those directly involved but also by any representative socio-economic environmental organization.

3.2.11. Furthermore, and so that the action is effective, some provision should be made for reducing the legal costs which are frequently so high as to dissuade organizations which do not have a sufficient budget,

⁽¹⁾ Informal EU Network for the Implementation and Enforcement of Environmental Law.

such as NGOs, neighbourhood associations, etc., from bringing a complaint⁽¹⁾. To this same end, the length of the proceedings should be limited, provided that this does not render any of the parties defenceless.

3.3. *Measures to reinforce existing Community systems*

3.3.1. The communication puts forward six measures aimed at reinforcing the Community's environmental systems as regards:

- the quality of Community legislation;
- transparency;
- improving cooperation;
- reporting, monitoring and evaluation;
- promoting knowledge of Community environmental law;
- funding.

3.3.2. All these measures are intended to improve the application of Community environmental law on the basis of cooperation between the Member State authorities and the Commission and, in particular, by involving all EU citizens more closely in the framing and monitoring of such legislation.

3.3.3. The first measure proposed, the quality of environmental legislation, is divided into two actions, one concerning the legislative process and the other sanctions at national level.

3.3.4. Regarding the former, the Commission proposes greater involvement of existing bodies, including the Parliament, but does not mention the ESC as provided for in Treaty Article 130s(2). The Committee therefore calls for an express reference to the ESC in the text. It also calls for recognition of the need to consult national and international organizations involved with the environment at European level.

3.3.5. The quality of environmental legislation will be improved by clear and simple rules which can be understood by all interested parties and by simplification

of their content (without making them less scientific and rigorous), so as to reduce the number of provisions by using framework directives wherever possible.

3.3.6. As regards national sanctions, the Committee would reaffirm the relevant general principles, especially the 'polluter pays' principle; financial penalties should, however, be backed by other measures to reinforce the sanction⁽²⁾, such as suspension of administrative authorizations for firms and organizations infringing environmental legislation. To the same ends, consideration should be given to suspending Community financial assistance, whether the transgressors be administrative authorities or private companies.

3.3.7. On the subject of sanctions at EU level, consideration could be given to creating a register of firms and organizations infringing Community environmental rules which would disbar them from receiving EU aid for a certain period of time, depending on the seriousness of the infringement.

3.3.8. The Committee also calls on the Commission to firm up its ideas on the question of compensation. This applies both to the liability of the state for the non-implementation or inadequate implementation of directives and to the liability of polluters (environmental liability law).

3.3.9. The ESC approves the measure for strengthening transparency in the application of legislation — as well as any measures aimed at increasing the participation of all interested parties and not just official bodies — since this will help to improve the quality of the legislation and, above all, cooperation with the Commission.

3.3.10. The use of existing networks is another way of improving cooperation; for this it would seem appropriate to use IMPEL as a coordination network between countries and, in particular, as an information and consultation body for environmental topics.

3.3.11. The European Environment Agency is also very important where coordination, information and consultation are concerned; the ESC therefore thinks that the duties of this body should be upgraded, not only in its relations with the Commission, but also with the Member States and environmental organizations.

⁽¹⁾ In this connection see the ESC Opinion on the Community action programme promoting non-governmental organizations primarily active in the field of environmental protection, OJ No C 204, 15. 7. 1996.

⁽²⁾ Account will be taken of the Council of Europe's draft convention on the protection of the environment by means of penal legislation.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the 'Green Paper — Living and working in the information society: People first'

(97/C 206/03)

On 2 August 1996 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned green paper.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 April 1997. The rapporteur was Mr Burnel.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 107 votes to three, with five abstentions.

1. Current background

1.1. The publication of a study commissioned by the Dutch Presidency, (the Booz Allen and Hamilton study) coincides with the Commission's Green Paper on information and communication technologies (ICTs). Among other points, the study notes that the EU is lagging behind in the ICT field, whether in terms of hardware or software manufacturing performance or use of these technologies.

For example, only two of the 20 leading hardware or software manufacturing concerns are European: SAP and Software A.G. The European Union has only done well in those sectors which are at present the least profitable: switching, mobile telecommunications, specialist semiconductors. One person in ten in the US has access to a computer compared to one in 20 in the main European countries. 90 % of European pupils leave school without ever having touched a computer. On this latter point, however, it is worth noting that while American universities have a considerable lead, lower-level establishments are less well-equipped.

1.2. A real economic and cultural gulf therefore separates the European Union from its North American or Asian competitors with regard to ICTs. Procrastination, quarrelling or looking for a scapegoat serves no purpose. The speed with which decisions are taken is a very important factor in corporate competitiveness, and hence growth. While waiting for matters to improve, the plight of the unemployed can only worsen or, to put it another way: 'While the grass grows, the horse starves'.

The green paper, then, has come at just the right time.

1.3. Given the issues at stake and their consequences, the European Union must not and cannot surrender in advance.

By pooling its knowledge and know-how, Europe has demonstrated its capabilities and effectiveness in scientific research, technological applications and high-quality, reliable manufacturing.

1.4. In view of what the outcome would be, there must be no let-up in enthusiasm, no backsliding and, above all, no decline into a state of apathy.

2. Will readers of the green paper be disappointed?

2.1. The green paper's title whets our appetites, indicating that priority is to be given to the human dimension. The page has been turned on the Businessmen's Europe, although this does not necessarily mean that the book has been closed. The information society heralds a new humanism — the Citizens' Europe, no less — a Europe of knowledge, employment, equitably shared rights and opportunities. It would be difficult to oppose such an aim.

2.2. The ESC agrees with many of the green paper's points. However, it regrets to note the following:

2.2.1. Too little attention is focused on daily life, an area where ICTs exercise a powerful attraction, offering the prospect of huge markets and therefore jobs. Other developments are taking shape on the horizon and still others will follow. Progress cannot be halted.

2.2.2. While a certain number of paths are mentioned, in practice too few specific suggestions are made on how to pursue them. However useful and important philosophical reasoning may be, it must be given practical form if a credible response is to be found to citizens' concerns and aspirations and needs, at a time when the world is rapidly changing. It is worth recalling that the ESC has already called for 'studies to evaluate the investment needed to set up and operate information highways and new services, and to assess the effect on employment' (1).

(1) ESC Opinion on the Communication from the Commission to the Council and the European Parliament and to the Economic and Social Committee and the Committee of the Regions — Europe's way to the information society: An action plan. OJ No C 110, 2.5. 1995.

2.2.3. According to the green paper, ICTs provide the opportunity to open, or reopen, debates on major issues which in fact will never be terminated given their fundamental importance. It is not surprising that the Commission should, for example, refer to the organization of work, education and training, health and access to healthcare, the ageing process and its effects, the importance of fostering human resources and regional development. Since these are issues which determine the respect accorded to human dignity and quality of life and which involve fundamental principles and values, it would be logical for all these issues to be tackled directly and without delay, ensuring on each occasion that the discussion encompasses the impact of ICTs as a means to an end, with all the advantages and risks they entail, in an attempt to neutralize those risks or minimize their effects in advance.

2.2.4. The same applies to renewal of the social dialogue and its institutions, on which the green paper places particular emphasis. These aspects are of course interconnected, but a technology must not be allowed to assume an initiating role, which rightly belongs to the authority and wisdom of the social partners and the legislation.

2.2.5. Social dialogue can also help alert public opinion and the authorities to the innovatory potential inherent in ICT growth. The relative dearth of services in some regions is one important indicator of social, economic and cultural underdevelopment. All means available, including social dialogue, should be deployed to put matters right, so as to develop a service culture in society at large and official bodies.

3. The Commission starts the consultation process

3.1. Following the Dublin colloquium, the Commission began consulting the organizations with which it is in regular contact. Although the panel is broadly-based, it does not unfortunately include all the national representations of all the players involved. The ESC regrets this, as it does the fact that the national contacts have not always worked. The Committee is surprised that the green paper has not been reported in the media, given the nature and impact of the subject.

3.2. The Commission also calls for citizens to express their views directly. The question arises as to whether it might not have been preferable, from an educational point of view — since the Commission is concerned to play an educational role — to have made use of all

intermediary bodies⁽¹⁾. The result would have been greater efficiency and speed, without the risk of distortion.

3.3. The ESC would be most interested in seeing the results of the consultation. It hopes that provision has been made for some feedback to the bodies and individuals who have answered the Commission's call.

4. Neither good nor bad

4.1. Technologies can be used for a good or bad purpose. A technology is, by its nature, a morally and politically neutral vehicle.

4.2. ICTs reflect human intelligence, while not being burdened with the least responsibility themselves. A machine carries out orders. 'It's the computer's fault' is just a poor joke.

5. The impact of ICTs on employment

5.1. The authors of the green paper are relatively optimistic as to the support which ICTs can lend to job creation. During the initial introductory phase all major new technologies tend to destroy jobs, but thereafter they create them. For a number of reasons, these new jobs do not match the old ones in either number or kind.

5.2. In the longer term, ICTs will create employment in the EU, provided that market conditions (i.e. supply and demand) are favourable — hence the importance, for example, of research, initial and continuing training, and forecasting of personnel requirements. The question is what kind of jobs to train for, and in what quantities.

5.3. The above-mentioned Booz Allen and Hamilton study argues that if the EU had experienced the same growth rates as the US in the various ICT sectors, one million new jobs would have been created, although it does not specify what kind of jobs. For the 1990-1995 period, growth stood at 9,3 % in the US, compared with 2,4 % in the European Union.

5.4. A European employment observatory, constantly covering the positive and negative effects of ICTs, would help greatly in taking predictive decisions.

⁽¹⁾ Trade organizations, trade unions, mutual associations, cooperatives, bodies representing families and parents in schools, consumers and users, young people, the elderly, the disabled, cultural groups etc.

5.5. ICTs are accused of encouraging business relocations. Insofar as they, along with other means, help cut distances and times, this is not untrue. On the other hand, they also contribute to the renovation of national or European problem areas and to safeguard or create jobs. The crunch comes with transfers to outside the EU. While ICTs may have a secondary role here, they are not among the main factors for relocation.

5.6. ICTs have made teleworking possible: this is the ideal solution for some, but can have the undesirable effect of creating or aggravating a feeling of isolation, thereby damaging physical and psychological well-being and giving rise to costs. Hence the importance of objective information and case-by-case advice.

5.7. ICTs have also enabled new forms of home shopping to be developed. This poses problems for certain types of customer, who must be protected against unfair practices and hasty decisions. Consumer organizations have an important role to play in terms of instruction, information and protection.

5.8. Whatever serves to erode personal relationships, either at work or in daily life, cannot be viewed positively.

5.9. SMEs do not have the resources available to large companies to make use of certain types of ICTs. However, SMEs are job creators; they must build up their export markets and they often act as suppliers for larger companies. The ESC has two wishes: firstly, that in relation to ICTs, SMEs receive assistance in terms of advice, training and equipment and secondly, that consideration be given to the possibility of establishing forms of partnership between them and experienced businesses.

6. Training and information: a two-fold response to needs, concerns and hopes

6.1. Ignorance leads to fear and nurtures illusions. Knowledge is freedom and is a factor for social, occupational and civic integration.

6.1.1. The ESC has, therefore, always advocated appropriate, up-to-date training at the earliest stage. It shares the green paper's concerns and endorses its proposals.

6.1.2. Consequently, ICTs must be built into curricula at every stage of education as a tool.

6.1.3. Harmonious relationships between generations are based on a proper family and social balance in the broadest sense.

It has been seen that certain information and communication technologies, on account of their novelty and the speed at which they have been introduced and spread, bother some sectors of the population — the elderly in particular, even when they are well-educated — and can even heighten a feeling of isolation. This is a real problem, but it is a problem which education and information can help reduce or even eliminate, by demystifying it. Individual well-being and access to progress are at stake, but it is also a question of social cohesion and the general interest, since physical and psychological isolation is recognized as one of the causes of deteriorating health which are often costly to treat. The role of associations which bring elderly and isolated people together, together with action by specialist services, should be encouraged. Here again, the interests of individuals and society overlap.

6.1.4. Information touches on questions of culture, freedom and quality of life. It must comply with ethical requirements and the rules of pluralism, and must respect the individual conscience.

7. The European Union must play its full role in the ICT sector

7.1. The ESC highlights the importance of analysing companies' and people's needs. In addition to analysis and reports, the EU must — in a spirit of consultation and solidarity — act vigorously: otherwise, there is a real danger that economically, culturally or ethically unpalatable solutions will be imposed on Europe by the globalization of the manufacturing and services industries.

7.2. The ESC would recall its earlier comments and positions, e.g. that it is important to align and pool audiovisual production resources:

— opinion on the revision of the directive on television without frontiers (especially points 2.2, 3.1.6 et seq.)⁽¹⁾;

⁽¹⁾ OJ No C 309, 13. 11.1995.

— opinion on the Media II programme⁽¹⁾.

Secondly, it is necessary to create an audiovisual monitoring and regulatory body, along the lines of those to be found in many countries, because of the new broadcasting environment. But bans are not the answer. The solution is to be found in education and dialogue, to which such a body would contribute.

7.3. In its opinion on the Communication from the Commission 'Europe's way to the information society: An action plan', adopted almost unanimously on 23 February 1995, the Committee considered that 'the Commission's proposed timetable for the liberalization of telecommunications infrastructure cannot reasonably be introduced without having first clearly defined the concept of universal service — including the reasons for it, the stakes involved, the safeguard mechanisms that go with it, its development, and the financial arrangements'.

7.3.1. It added that it 'supports the Commission's proposals on the introduction of a clear and stable regulatory framework, but urges that measures designed to open up the field to competition be adopted only after approval has been given to this framework and especially the rules governing competition, media concentration, privacy, intellectual property rights, electronic protection and the financing of a universal service that has been clearly defined beforehand and includes the widest possible range of advanced telecommunication services. The Committee would draw attention to the fundamental importance of the universal service concept — the key to European citizens' access to new infor-

mation and communication services. The wealth of information and communication services on offer will depend on the definition of the universal service concept, which will decide whether social exclusion can be avoided'.

7.3.2. The ESC notes, at a time when its views on the green paper are being solicited, that the content of the universal service is only now being specified and that the funding, apart from that for a hesitantly-defined universal service, will not be provided by operators.

As regards social exclusion, unfortunately the ESC's fears may well prove to be prophetic.

7.4. The ESC endorses the green paper's concluding argument on the need to strengthen all expressions of pluralism at all levels. It therefore suggests that simple steps be taken to launch a debate — which, given the issues at stake and the speed of change, should be on-going. Policy should not lag behind technological innovations because of the danger that it might never catch up. Instead, it should keep ahead of or at least keep abreast of innovation.

8. No results without political will

8.1. Such a political will depends largely on the political courage of citizens. Citizenship involves more than just voting. It means each individual's willingness, in the light of all his or her responsibilities and functions, to take part in discussions whose outcome will shape his or her life. The debate on ICTs provides all of us with a golden opportunity to exercise our rights as citizens and fulfil our civic duties.

(1) OJ No C 108, 29. 4. 1995.

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on the 'Report of the Commission on the SLIM Pilot Project — Simpler Legislation for the Internal Market'

(97/C 206/04)

On 24 July 1996, the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned report.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work, adopted its opinion on 4 April 1997. The rapporteur was Mr Noordwal.

At its 345th plenary session (meeting of 23 April 1997) the Economic and Social Committee adopted the following opinion by 117 votes to one with three abstentions.

1. Introduction

One of the most pressing of the Community's list of commitments is to reduce the burden of superfluous regulation which impedes the operation of the Single Market. The aim of the SLIM initiative (Simpler Legislation for the Internal Market) is to identify ways in which, without endangering the necessary protection of the citizen, Single Market legislation could be simplified and could also stimulate growth and job creation as part of the Confidence Pact for Employment.

1.1. Definition and scope of the SLIM pilot project

1.1.1. The guiding principles for the SLIM project are:

- simplification should be targeted on a few sectors;
- business and other interested parties should contribute directly to the exercises.

1.1.2. The four areas selected and examined in the pilot projects are:

- Intrastat — statistics on intra-Community trade;
- technical regulations on construction products;
- legislation relating to the mutual recognition of diplomas;
- legislation relating to ornamental plants.

1.2. The working method

1.2.1. A new working method brings together in small teams experts from the administrations of a few Member States and representatives of the users of the legislation, under a Commission Chairman. The pilot phase was devoted to legislation in the above four

sectors. The four SLIM teams, which were chaired by personal nominees of the Commissioners responsible for each sector, are to report in time for the Internal Market Council in November.

1.2.2. The SLIM teams worked with a limited number of participants familiar with the subject in question. In many cases they produced options for simplification or improvement which were not favoured by all members.

1.2.3. Member States which did not have an expert on a team have been consulted — albeit using an abridged procedure in a number of cases — and the teams have received written submissions from some of the interested parties.

1.3. The recommendations of the SLIM teams

In general,

- 1) The recommendations of the Intrastat team include simplifying, or no longer collecting certain data from 1 January 1998, a substantial reduction in the number of subheadings in the nomenclature from 10 500 at present to less than 7 000, and adjusting the collection system or introducing a new one to reduce the burdens on business. Several methods can achieve this, among them more use of sampling, a two-tier system reducing the frequency of detailed returns and/or use by a group of Member States of the single flow system, based on export data only.
- 2) On the premise that rendering effective the application of the Directive was part of the mandate the team for Construction Products set out three options. The first was to improve the existing unsuccessful procedures for implementation, essentially those leading to Technical Specifications, particularly Harmonized Standards. The second option is for alignment on the 'New Approach' methodology —

allowing products to be put on the market without prior agreement on technical specifications — and thus involving modification of the Construction Products Directive (CPD). The third option — favoured by the Commission — considers a two-stage solution of combining the first option with parallel action to bring closer together national regulations on construction works.

- 3) The principal conclusion of the team for the Recognition of diplomas, was that the sectoral directives should not be repealed. It also advocated retention of the advisory committees in a streamlined and more effective form. However, it held that the detailed education and training provisions of the sectoral Directives could be replaced by competency-based criteria derived from the outcome of education and training rather than its content.
- 4) The report from the Ornamental Plants team contains a distinct division of opinions. Some severely doubted the need for Community legislation at all in this field; but if retained, that legislation should be clarified and simplified.

1.4. *The Commission's comments on the SLIM project*

The Commission intends to pursue the project and to come forward with an extension of SLIM into a second phase involving other sectors, see point 2.8.4. However, the Commission paper intimates that extension will be conditional on the Council and Member States acceptance of both the working method adopted and the Commission's proposals for legislative changes in the four pilot fields. On each of the four areas the Commission anticipates the broad lines of the proposals it will make over the next years.

ESC'S COMMENTS ON THE SLIM INITIATIVE

2. General remarks

2.1. The Committee welcomes the SLIM initiative and thinks that it is a long wanted need that has now been identified and implemented. In order to judge whether the SLIM approach is the best way to proceed to achieve better legislation, the methods and working procedures, as such a notable improvement on previous ones, must nevertheless be critically examined. Existing consultation procedures which have proved their worth should be included in this examination.

2.2. The Committee shares the opinion of the EC that over-complicated regulation carries a high economic cost, endangering the competitiveness of industry and its employment-creating potential. All regulation — whether at Community or national level — must be fully justified and proportionate to its objectives. This applies both to new legislative initiatives and to existing legislation.

2.3. Therefore the European Union and the Member States need a common strategy for improving the quality of legislation. This should start with proposals for new legislation. It is always better to start with simple, transparent and effective legislation than to simplify existing legislation after the event.

2.4. Proposals for new legislation should be thoroughly tested for need and scope. If the Council, Parliament and ESC are to make informed decisions, each Community legislative proposal, especially if it is expected to have a significant impact on business conditions, needs to be accompanied by an objective analysis of the relevant facts, like an impact assessment, providing a proper basis on which political judgement can be made.

2.5. For existing legislation the precise methods used, and in particular the composition of the teams involved, will need to be adapted to the subject matter, with no subject matter excluded a priori but adequate safeguards taken in each case to ensure thorough consultation. At the same time steps must be taken to prevent the existing level of protection from being eroded.

2.6. Member States should in parallel with the Community simplify their legislation at all levels (national and local) especially that which results from the transposition of Community legislation.

2.7. The widespread use of directives leads many Member States to adopt more and more national legislation. The Committee therefore supports the increased use of regulations as a Community legislative tool.

2.8. The Commission should take a vigorous and active approach to auditing transposition and enforcement of EC legislation at national level in order to avoid, in particular, that incomplete transposition or other practices hamper the unity of the Community market.

2.9. Methodology

2.9.1. The novel aspect of the SLIM initiative is that experts drawn from some Member States' authorities and an equal number from users of legislation are associated in small teams chaired by a Commission nominee. This kind of composition appears to be adequate and well balanced, particularly since such a composition of the teams may guarantee an objective approach free of political interests. Formal submissions by Member States should be discouraged at this stage, as this will often be taken as an opportunity to restate well known positions and is unlikely to introduce new ideas to the debate.

2.9.2. Still the task is not to be considered completed with the submission of the reports by the teams. By then discussions and elaborations should be envisaged in order to transform such recommendations into practical formal proposals for simplification of the respective legislation — with special regard to administrative procedures — both at EU and Member State level. Special attention should be given to the scope for simplification of the administrative arrangements for the legislation at stake. Simplification like this should in no instance jeopardize well functioning administrations, since this would result in efficiency losses and costs increase.

2.9.3. Representatives of business in the Community have frequently expressed the view that the burden of legislation is far greater at the national rather than the Community level. Community legislation is often bedevilled by unnecessary 'gold plating' by Member States Governments. The lack of consistency between national and Community level legislation also causes problems for business and for the public. While the Commission and Parliament continue to strive for simpler Community legislation, action is also needed in the Member States. In order to improve the functioning of the Single Market, Member States must be ready to observe the same self-discipline in rule-making and the transposition of Community rules that they advocate for the Union, while for its part the Council should propound realistic methods of bringing Member States to implement simpler, approved Community legislation. However, this does not mean that one need never do any more than the minimum.

2.9.4. In any case the question of simplification on Member State level, urgent as it may be, needs to be discussed very thoroughly before being implemented in order to avoid results which may tend in a different direction than the original legislation was meant to go. On the other hand precious time might be lost and

confusion created. To achieve efficient simplification clear-cut recommendations are needed and not just amendments with little or no effect.

2.10. Follow-up of the SLIM-project

2.10.1. The success of SLIM depends on the concrete action started by the Commission as a result of SLIM recommendations. The ESC calls therefore on the Commission to consult it in due time on the follow-up steps to the four pilot projects as well as to keep it informed on progress being made by the next group.

2.10.2. It is planned now to extend SLIM into a new phase, involving other sectors for scrutiny. To guarantee objective selection of new areas the Commission should employ formal criteria. Not only Member States should be consulted, but representatives of users of legislation should also be invited to put in their view. The ESC urges therefore the Commission to invite all interested parties to propose topics and suggestions for the further phases of SLIM.

2.10.3. A selection by the Commission should be based on the following criteria:

- the socio-economic significance of the topic (including its importance for the consumer and for industry) or its contribution to improving the quality of legislation; it must be clear from the outset that the results will be of real benefit to the Single Market;
- the ability of the topic materially to reduce the volume of regulations, thereby stimulating the economy and generating more employment;
- the question of what value-added SLIM consideration of the topic can provide, particularly in relation to other simplification programmes;
- practical considerations, such as whether the project can be concluded in a year;
- compatibility with the upcoming introduction of the euro;
- the question of whether men and women are affected differently.

2.10.4. Against this background the following suggestions for SLIM topics could be made:

- Phytosanitary matters
- Fertilizers
- Agricultural products
- Foodstuffs
- Public procurement,

bearing in mind that the Commission has now chosen

the following legislative areas in the Single Market for future examination in the SLIM context:

— VAT

- Extra-Community statistics
- Banking
- One sector or group of products (yet to be determined).

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Directive on the charging of heavy goods vehicles for the use of certain infrastructures' ⁽¹⁾

(97/C 206/05)

On 27 January 1997 the Council decided to consult the Economic and Social Committee under Article 75 (1) of the Treaty establishing the European Community on the above-mentioned proposal.

The Section for Transport and Communications was asked to prepare the work and adopted its opinion on 9 April 1997. The rapporteur was Mr Decaillon.

At its 345th plenary session of 23 and 24 April 1997 (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 118 votes to three, with eight abstentions.

1. Introduction

1.1. The Commission proposal:

1.1.1. Its remit:

- annual vehicle taxes
- user charges and tolls
- sensitive routes.

1.1.2. Its scope:

- goods vehicles of 12 tonnes or more gross vehicle weight, except vehicles carrying out transport operations exclusively in the non-European territories of the Member States, and vehicles registered in the Canary Islands, Ceuta and Melilla, the Azores or Madeira and carrying out transport operations exclusively in those territories or between those territories and Spain or Portugal.

1.1.3. Its aim:

- to reduce distortions of competition as a means of furthering the development of the single market. To achieve this, the Commission proposes:
 - to ensure the costs associated with road infrastructure are better covered, including external costs;
 - to ensure greater differentiation which allows costs to be recovered closer to the area where they arise;
 - to apply the principle of territoriality more extensively in recovering costs incurred by infrastructure use.

1.2. The Commission proposal meets a twofold legal obligation:

- #### 1.2.1. A Council review, in accordance with Article 7f) of Directive 93/89/EEC ⁽²⁾, of the maximum rate of user charges.

⁽¹⁾ OJ No C 59, 26. 2. 1997, p. 9.

⁽²⁾ OJ No L 279, 12. 11. 1993, p. 32; OJ No C 19, 25. 1. 1993, p. 74.

1.2.2. The Council's approval, within a reasonable time-limit, of a replacement for Directive 93/89/EEC, which was annulled by the European Court of Justice in July 1995⁽¹⁾ for the following reasons:

- The Council had adopted a text substantially different from that proposed by the Commission and approved by the European Parliament on 18 December 1992, subject to two minor amendments, and thus did not comply with the procedures for re-consulting the European Parliament as laid down in Articles 75 and 99 of the Treaty.
- Due consultation of the Parliament in the cases provided for by the Treaty constitutes an essential formal requirement, breach of which renders the measure concerned void. The effective participation of the Parliament in the legislative process of the Community represents an essential factor in the institutional balance and reflects a fundamental democratic principle.
- The Council's line of argument was rejected.

1.3. The draft directive proposed by the Commission is set against a specific legal backdrop:

1.3.1. For legal security (to avoid a legal vacuum), the Court of Justice deemed it necessary to retain, on a provisional basis, all the arrangements made under the annulled directive until the Council had adopted a new one.

1.3.2. In its review of the legality of acts, provided for in Article 173 of the Treaty, the Court of Justice did not feel it was entitled to set the Council a deadline for adopting a new directive.

1.3.3. However, the Council has a duty to remedy this irregular situation within a reasonable period of time.

1.4. The draft directive is part of (a) the process to complete the single market by removing distortions to competition, and (b) the common transport policy.

1.4.1. Apart from the legal acts dealing explicitly with removing distortions to competition, the proposal makes direct reference to:

- The White Paper on the future development of the common transport policy⁽²⁾, which urged a more comprehensive strategy aimed at making transport more sustainable and more balanced.

- The Green Paper: Towards fair and efficient pricing in transport⁽³⁾ which seeks in particular to reverse unsustainable transport trends and looks at how external costs can be internalized.

- Instruments of a regulatory, technical or organizational nature aimed at increasing the attractiveness, profitability and quality of service of other land-based transport modes, such as the opening-up the rail market, the Pilot Actions in relation to Combined Transport (PACT) and the market restructuring of the inland waterway market.

2. Background

2.1. To the draft directive

2.1.1. In 1968 the Commission proposed introducing a taxation system for commercial vehicles⁽⁴⁾.

2.1.2. In 1978 the Council agreed in principle.

2.1.3. In 1988 the Commission submitted a proposal on the charging of road infrastructure costs to heavy goods vehicles [COM(87) 716 final⁽⁵⁾ amending COM(86) 750 final⁽⁶⁾].

2.1.4. In 1992 the Commission proposed a new draft directive [COM(92) 405 final⁽⁷⁾] amending the proposals it had made initially and those submitted in COM(90) 540 final in 1991⁽⁸⁾.

2.1.5. In 1993 the Council adopted Directive 93/89/EEC on the application by Member States of taxes on vehicles used for the carriage of goods by road and tolls and charges for the use of certain infrastructures; the proposal, however, differed substantially from the Commission proposal and the opinion of the European Parliament, particularly in that the Council was no longer obliged to establish a harmonized road taxation system by 31 December 1998 and no longer had to seek Commission proposals on how to introduce a charging system based on the principle of territoriality.

⁽³⁾ COM(95) 691 final — CES 1261/96 (not yet published in the Official Journal).

⁽⁴⁾ COM(68) 567 final (OJ No C 96, 21. 9. 1968, p. 44) — OJ No 48, 16. 4. 1969, p. 5.

⁽⁵⁾ OJ No C 79, 26. 3. 1988, p. 8; OJ No C 208, 8. 8. 1988, p. 29.

⁽⁶⁾ OJ No C 232, 31. 8. 1987, p. 88.

⁽⁷⁾ OJ No C 311, 27. 11. 1992, p. 63; OJ No C 19, 25. 1. 1993, p. 71.

⁽⁸⁾ OJ No C 75, 20. 3. 1991, p. 1; OJ No C 159, 17. 6. 1991, p. 18.

⁽¹⁾ Judgement of the Court, 5. 7. 1995 — Case C-21/94 — European Court Reports 1995, p. I-1827.

⁽²⁾ COM(92) 494 final — OJ No C 352, 30. 12. 1993, p. 11.

2.2. *To the main points made by the Economic and Social Committee*

2.2.1. The Economic and Social Committee has issued a number of positive opinions on the various Commission's proposals:

- opinion of 2 July 1987 on COM(86) 750 final, rapporteur: Mr Moreland ⁽¹⁾;
- opinion of 2 June 1988 on COM(87) 716 final, rapporteur: Mr Rouzier ⁽²⁾;
- opinion of 24 April 1991 on COM(90) 540 final, rapporteur: Mr Moreland ⁽³⁾;
- opinion of 25 November 1992 on COM(92) 405 final, rapporteur: Mr Moreland ⁽⁴⁾.

2.2.2. The ESC's opinions take a broadly consistent line on a number of essential issues:

- a) to continue to eliminate distortions to competition;
- b) to develop a step-by-step, simplified approach;
- c) to establish as tax criteria:
 - maximum authorized weight and number of axles;
 - a system which does not penalize small vehicles;
- d) to pursue the objective of common charging arrangements for both infrastructure costs and external costs using a graduated system;
- e) to work towards the ultimate removal of tolls, except for certain specific infrastructures;
- f) to apply, in the meantime, the principle of territoriality to both general and specific infrastructure;
- g) to take account of all the economic, social and environmental costs and benefits of each transport mode.

⁽¹⁾ OJ No C 232, 31. 8. 1987, p. 88.

⁽²⁾ OJ No C 79, 26. 3. 1988, p. 8; OJ No C 208, 8. 8. 1988, p. 29.

⁽³⁾ OJ No C 75, 20. 3. 1991, p. 1; OJ No C 159, 17. 6. 1991, p. 18.

⁽⁴⁾ OJ No C 311, 27. 11. 1992, p. 63; OJ No C 19, 25. 1. 1993, p. 71.

3. *Comments by the Economic and Social Committee*

3.1. *Legal basis of the draft directive*

3.1.1. The Committee believes that,

- while the draft directive may cite various general Treaty articles, in particular Articles 2 and 3, to enhance the validity of its objectives,
- fundamentally, it must be based on Title IV of the Treaty, and more specifically on the provisions of Article 75.

3.1.2. In fact the Committee, while acknowledging that the draft directive establishes links with other Treaty provisions, takes the view that:

- these links stem from the fact that transport, by its very nature, cuts across other sectors;
- the aspects specific to transport must, however, be fully recognized;
- charges for the use of infrastructure must therefore be based on considerations specifically related to the common transport policy;
- it would not be desirable for these charges to be incorporated into the Treaty's tax provisions (Articles 95 ff.);
- Article 75 is not only a suitable vehicle for realizing the objectives and implementing the provisions of the draft directive, but also, by stipulating the adoption procedure referred to in Article 189c, meets the need for efficiency and the desire for rapid decision-making which the Committee has called for on a number of occasions.

3.2. *General comments*

3.2.1. The Committee would reiterate its previous opinions on the need for the Council to reach agreement forthwith on charging for the use of infrastructure in order to:

- consolidate the single market by eliminating distortions to competition;
- develop healthy intra- and intermodal competition in the transport sector;
- take account of the need to promote an efficient, balanced and sustainable transport system;

- consolidate the European transport system, particularly with the prospect of enlargement;
- clarify the user-pays principle;
- integrate both the positive and negative external effects of transport into transport costs.

3.2.2. The Committee would reiterate its previous comments that, while tolls are one way of applying the principle of territoriality, combining them with vehicle taxes and excise duties constitutes double taxation. This why the Committee backs ultimately abolishing tolls. Technological innovations, particularly electronic toll collection, should help avoid double taxation of this kind, while still maintaining a steady flow of traffic.

3.2.3. The Committee welcomes the Commission's progressive, measured and gradualist approach which, given the differing conditions and views in the Member States, should pave the way for agreement in the Council. The Committee stresses that, as things stand, it is necessary to proceed, as the Commission is doing, on a step-by-step basis towards more complete harmonization and to leave certain Member States the option of making their own vehicle taxation arrangements, without thereby introducing new competition distortions.

3.2.3.1. The Committee would point out that, in the European Union at the moment, fuel tax is charged more for tax policy reasons than for transport policy considerations, since fuel excise duties are, and will remain, an important source of revenue.

The Committee hopes that real coherence will be established between indirect taxes based on tax policy per se, and direct charges levied to cover the use of infrastructure and external costs, which come under transport policy.

3.2.4. The Committee appreciates the effort made by the Commission to submit a draft which:

- respects the principle of differentiating between vehicle classes but is still simple enough for rapid application without additional administrative costs;
- complies with the principle whereby taxation is calculated as closely as possible in line with the actual use of the infrastructures;

- advocates, simply and straightforwardly, the integration of external costs into the various ways in which charges are levied, while at the same time guaranteeing the principle of non-discrimination and compatibility among these different forms;
- respects the specific character of certain circumstances and infrastructures.

3.2.5. The Committee appreciates the efforts made by the Commission to accompany its proposal with an analysis — which while open to debate is relatively complete and reliable — of what the practical implications of that proposal would be.

3.2.6. While reiterating its backing for Commission research into the more general application of the principle of territoriality, the Committee would nonetheless draw the Commission's attention to some practical problems.

3.2.7. The Committee recognizes the need to guarantee the Member States adequate tax revenues, but would note that:

- this income must be a true reflection of actual infrastructure use and must not be a general extension of tax revenue;
- the arrangements should be implemented in a balanced, measured and fair way so as (a) not to place an undue burden on the different user classes who already face major difficulties, (b) not to undermine the principle of free circulation, and (c) to avoid introducing new intramodal and/or intermodal distortions.

3.2.8. The Committee reiterates the importance it attaches to evaluating and taking account of infrastructure costs and external effects. It believes that internalizing these costs should apply to all transport modes, but, in the light of present conditions and the need to adopt a step-by-step approach, it also feels it is right to focus first on that sector which is at the top of the agenda, i.e. road transport. Moreover, the Committee would again make clear that taking full account of external effects means analysing and internalizing the cost-benefit relationship [cf. ESC opinion on the Green Paper on the impact of transport on the environment⁽¹⁾ and the ESC own-initiative opinion on infrastructure costs in the road freight transport sector⁽²⁾].

⁽¹⁾ OJ No C 313, 30. 11. 1992, p. 18.

⁽²⁾ OJ No C 18, 22. 1. 1996, p. 27.

3.2.9. Whilst the Committee recognizes the specific objective of the proposed directive, it believes that this document is indelibly bound up with the need for rapid Council decisions in other transport sectors and for these decisions to form part of a coherent, integrated strategy [cf. in particular the ESC opinion on the Green Paper: Towards fair and efficient pricing in transport — Policy options for internalizing the external cost of transport in the European Union (1)].

3.2.10. While the Committee accepts the concept of 'sensitive routes', it nonetheless queries the procedures used to select such routes, and trusts that routes of this kind do not hinder the free movement of traffic or introduce new distortions in competition.

4. Specific comments

4.1. Fleet composition

4.1.1. The Committee welcomes the fact that the fleet will increasingly be composed of environmentally-friendly vehicles.

4.1.2. Nonetheless, the Committee wonders whether the Commission has not been too 'mechanical' in its findings, which appear to have been reached under the premise of 'all things being equal'. Yet, all things are rarely, if ever, equal.

4.1.3. Some operators and a number of Member States are pressing to increase technical standards for road vehicles. The Committee feels that the Commission would do well to 'simulate' such changes in technical standards and their impact on infrastructure wear and tear and external costs.

4.1.4. In addition, the Committee feels that applying the directive may well have adverse repercussions and accentuate the split in the vehicle fleet and the road transport sector, with a relatively small number of firms in a financial position to meet the most effective standards and to profit from lower taxes, tolls and user charges, while an ever growing number of companies would be unable to reach the required standards; this would not only lead to these companies being excessively taxed, but would also cause infrastructures to decline and external costs to rise inexorably.

4.2. Transport costs

4.2.1. The Committee welcomes the fact that the impact on transport costs will be slight.

4.2.2. The Committee nonetheless fears the emergence of certain undesired effects, since, even though the impact of direct taxes on infrastructures is slight, it varies depending on how the different operators are placed.

4.2.3. For some operators the impact may well be relatively slight and could even be passed on in prices; for others it could place an even greater strain on their financial circumstances.

4.3. Road transport demand and modal shift

4.3.1. The Committee recognizes that the directive will have little or no impact on the development of road transport demand.

4.3.2. The Committee feels that the directive can only be extended and fleshed out if it is accompanied — simultaneously, or at least as quickly as possible — by supply-side measures in respect of infrastructure, services provided by other transport modes and new telematics services [cf. ESC opinion on the application of telematics systems to intermodal transport in a pan-European context (2)].

4.3.3. The Committee would therefore ask the Council and the Commission to take firm action to promote more effective multi-modal transport which does less damage to infrastructure and the environment. (cf. ESC opinion on the Green Paper: Towards fair and efficient pricing in transport — Policy options for internalizing the external cost of transport in the European Union).

4.4. The price of goods

4.4.1. The Committee welcomes the fact that the measures proposed will have little effect on the price of goods.

4.4.2. Given that over time the price of transport and the price of goods rise at different rates, to the obvious detriment of the former, the Committee believes that

(1) COM(95) 691 final — CES 1261/96 (not yet published in the Official Journal).

(2) CES 1319/96 (not yet published in the Official Journal).

hauliers or producers could eventually absorb these costs without becoming uncompetitive.

4.5. *Infrastructure costs and external costs*

4.5.1. The Committee hopes account will be taken of both the general and particular points it has made (cf. ESC opinion on the Green Paper: Towards fair and efficient pricing in transport — Policy options for internalizing the external cost of transport in the European Union).

4.6. *Revenues from charges*

The Committee recognizes that such revenues are expected to rise, but would stress that:

- this is not the objective of the directive,
- it would be desirable to differentiate more between users, so as to ensure that both real costs and charges are allocated fairly.

4.7. *Competitiveness*

4.7.1. The Committee recognizes that the small rise in transport prices should be more than offset by increased efficiency in road transport and in the transport system as a whole.

4.7.2. The Committee would reiterate, however, that the efficiency of the road transport system, and the transport system as a whole, hinges on measures to improve transport supply.

4.8. *The system of production, trade and the European area*

4.8.1. The Committee notes that the impact of the proposal are not judged to be deleterious to Community cohesion.

4.8.2. The ESC would, however, urge the Commission, when preparing the report assessing the application of the directive, not to be content merely to correct where correction is needed, but to include in its new proposals constructive suggestions and procedures for enhancing the industrial, commercial and geopolitical cohesion of the Community.

4.9. *The social system*

4.9.1. The Committee regrets that the Commission impact study omitted to consider the social aspect. It would therefore ask the Commission to remedy this

shortcoming by examining inter alia the directive's potential impact in the following areas: increase in the tax burden, possible deterioration in working conditions and in observance of rules, increased use of sub-contracting in road transport, etc.; this examination should be broken down by country and category of undertaking.

4.9.2. Depending on the results of the analysis, the Committee would ask the Commission to make every effort:

- to mitigate, if need be, the adverse effects of this directive;
- to promote, by improving the social conditions of transport, enhanced efficiency and a better quality of supply.

5. *Specific comments*

5.1. *Recital 2*

5.1.1. The Committee welcomes charging for external costs, but wonders why the words 'where appropriate' have been included; this would seem to contradict both recital 4, which speaks of ensuring 'sustainable transport in the Community' and encouraging 'the use of more environmentally friendly means for the transportation of goods', and recital 10 which calls, to this end, for 'greater differentiation of taxes and charges'.

5.1.2. The Committee proposes that recital 2 should be reworded.

5.2. *Article 2*

5.2.1. Given present-day developments in some forms of transport, such as parcel post, express freight, etc., the Committee wonders why the scope of the directive is limited to vehicles having a maximum load of not less than 12 tonnes.

The least the Commission could do is justify this in terms of avoiding distortions to competition, of ensuring that the charges cover the real costs of infrastructure use and external costs or in terms of progress, simplicity or a gradual approach.

5.2.2. The Committee is uneasy about the definition of 'external costs' being reduced to the 'costs of congestion, air pollution and noise'. Ought not other elements be taken into account, such as safety, land-use density, vibration etc.?

5.3. *Article 6*

5.3.1. The Committee, whilst agreeing with the Commission that simplification is needed, queries the way vehicles are differentiated:

— Would not a more detailed differentiation have brought us closer to the goal of linking the charges

more effectively to the real costs of infrastructure use and external costs?

— Is there any justification other than that of simplicity for the linear 10 % differentiation between non-Euro vehicles, Euro I vehicles and Euro II vehicles?

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on the 'White Paper: a strategy for revitalizing the Community's railways'

(97/C 206/06)

On 2 August 1996 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned white paper.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 9 April 1997. The rapporteur was Mr von der Decken.

At its 345th plenary session (meeting of 23 April 1997) the Committee adopted the following opinion by 115 votes to four with six abstentions.

1. The Commission document

The Commission sees the white paper as a further policy tool in its fight to relieve congestion, limit environmental pollution and encourage the better integration of the entire European transport system. Its main objective, however, is to halt the decline of rail freight and rail passenger transport by proposing a new strategy that implies a wholesale revolution of the present organizational structures and should lead to the creation of a 'new kind of railway' which is first and foremost a business geared towards satisfying customer needs. In particular, the document proposes the creation of a number of trans-European rail 'freeways' for freight open to all operators. At the same time, the Commission hopes to encourage use of rail as a safe, environmentally responsible and commercially efficient alternative or complement to the roads.

In drafting the white paper the Commission has drawn on the ideas of an advisory group personally appointed by Commissioner Kinnock and comprising representatives of railway managers, trade unions, infrastructure operators and users. Their report 'The future of rail transport in Europe' was published in June 1996.

As a first stage this new strategy proposes a four-step plan towards the revitalization of the Union's railways by:

1.1. Clarifying the division of financial responsibility between the state and the railways

— The Commission will report at regular intervals on the progress made by the Member States in reducing debt and improving finances, beginning in 1997;

— in the case of debts accumulated since 1993 and of current losses, the Commission will only authorize

state aids if they are in accordance with the Treaty and it will develop specific rules and guidelines by 1998.

1.2. *Introducing market forces into rail*

This is a key element of the proposed strategy to revitalize rail transport. The Commission white paper proposes:

- to speed up, as first suggested in July 1995⁽¹⁾, modification of the existing EU legislation [Directive 91/440/EC⁽²⁾] so as to extend access rights to railway infrastructure for freight and for international passenger services;
- to modify existing EU legislation to require greater separation of infrastructure management and transport operations into distinct business units, with separate management and balance-sheets;
- to create a number of trans-European rail 'freeways' for freight. The Member States along a given route would, acting together, open access to the infrastructure for all rail freight services;
- to create single offices ('one-stop shops') designed to handle demands for train paths as quickly as possible.

1.3. *Assuring the provision of public service through the award of public service contracts*

Two major improvements are proposed:

- a) moving from a mixed system of obligations imposed by the state and public service contracts, to the application of contracts negotiated between the state and the railway operator covering all types of public services, including urban, suburban and regional services;
- b) market forces should be introduced into the operation of services. This would improve domestic passenger transport just as much as international passenger or freight services.

⁽¹⁾ Communication from the Commission on the development of the Community railways, COM(95) 337 final (OJ No C 321, 1. 12. 1995, p. 10); OJ No C 153, 28. 5. 1996, p. 16.

⁽²⁾ OJ No L 237, 24. 8. 1991, p. 25; OJ No C 225, 10. 9. 1990, p. 27.

1.4. *Integrating national rail systems*

The Commission is already working on an ambitious policy to tie national transport infrastructure together into trans-European networks and to provide a framework for the coordination of hitherto separate research activities in the Member States through the Community-funded R&D programme 'Trains and railways systems of the future'. A solution is needed urgently to the problem of long waiting times at the Community's internal and external borders.

1.5. *Social aspects*

Finally, the European Commission is aware that restructuring and competition carry social implications. But it is clear that if the railways do not become competitive, they will lose markets and have to reduce employment even more. Personnel policies, including substantial programmes to retrain redundant workers, backed by adequate resources, are needed. Although this is primarily the responsibility of Member States, contributions from the European Social Fund must be carefully considered.

2. *General comments*

2.1. The ESC welcomes the Commission's plan to develop a coherent strategy for making the railways more efficient and economically viable. In view of the extremely difficult situation, there is an urgent need for action.

2.2. In its white paper the Commission asserts that the railways have reached a nadir and are again losing market share, especially in the freight sector.

This fact cannot be denied, but it is inadequately explained by the data on which the analysis is based. The white paper refers to existing instruments and is based on factors which are still not or not adequately understood.

2.3. In particular, the Committee considers it absolutely essential to sift through the directives and regulations and study their transposition into national laws. The actual implementation and achievements of these provisions could thus be analyzed so that Member States can learn from each other's experience and future fields of application can be examined, with particular attention to whether implementation in the individual Member States is converging or drawing further apart. Neither

the Council nor the Commission can escape their responsibilities in this respect.

2.4. In the various chapters of the white paper the Commission proposes how it intends to tackle the problems. To a large extent these proposals are based on intentions rather than sound research.

Relevant data broken down by goods and passenger transport and indicating the market shares of both would certainly have been more helpful than general statements.

2.5. By this approach the Commission confirms that in fact insufficient information is available for the publication of a white paper. It would therefore have been more correct to issue a green paper or a communication. Since action is needed so urgently however, the Committee hopes that the necessary analyses will now be carried out as quickly and thoroughly as possible — and going beyond the work programme set out in the white paper — and that this will then form the basis for a sound strategy.

2.6. *User interests*

2.6.1. In describing the strategic goals of the 'new railways' the Commission takes insufficient account of one important aspect, namely the needs and interests of users. Much is said about economic viability, efficiency, costs, competitiveness, old debts, management independence, etc. In the final analysis, however, the railways are a service and must meet the needs and wishes of users [see ESC opinion on the Citizens' Network⁽¹⁾]. This applies particularly to the transport of people and more specifically public passenger transport. A more friendly and less bureaucratic customer service is needed. Rail freight transport, too, could be made considerably more attractive.

2.6.2. It is precisely in the area of user (consumer) services that the railways have, because of the traditional managerial ethos of state-owned companies, a lot of catching-up to do. It is not only fares that are at issue here, but also comfort, punctuality, user-friendly timetables, information on delays and real customer care. A thorough review of the opportunities in this area would certainly be very interesting.

3. *Specific comments*

3.1. *Old debts, improving the financial position and infrastructure*

3.1.1. A key strategic element in the white paper's push for liberalization of the railways is independent commercial management.

3.1.2. An essential precondition for this and hence for compliance with Directive 91/440/EEC on the development of the Community's railways is the elimination of old debts.

Progress on this has, however, been very incomplete and has varied from one Member State to another.

For some Member States it would probably compound the problem of public debt and meeting the convergence criteria.

3.1.3. Nor is the elimination of old debts sufficient on its own; apart from the showpiece high-speed networks, national budgetary problems are cited as the reason in many cases for the lack of any real improvement in conventional infrastructure and rolling-stock. There is a massive amount of catching-up to do here. The railways are still a long way from making a fresh start by balancing their books. This is, however, one of the preconditions if commercial management is to be achieved.

3.1.4. Just how difficult the investment situation is, is shown by the fact that, despite the European Council decision in Essen giving the TENs projects priority, virtually none of these trans-border projects has so far been secured financially.

3.1.5. Although Article 9 of Directive 91/440/EEC stipulates compliance with Treaty Articles 77, 92 and 93, it is not clear what legal base the Commission wishes to cite here for the application of the Community guidelines on state aid for rescuing and restructuring firms in difficulty⁽²⁾. The Commission's intention here is not consistent with the legal base; at the very least it reveals some uncertainty on the Commission's part.

3.1.6. The Committee would further point out that the rules on old debts are to apply to a substantial part of the social costs caused by the redeployment and shedding of staff in the wake of restructuring and modernization.

3.2. *Introduction of market forces*

3.2.1. In its opinion on Directive 91/440/EEC the Committee warned against embarking on the implementation phase too quickly and argued that the Member States and existing national railway companies should be allowed to put the proposed procedure into practice.

⁽¹⁾ OJ No C 212, 22. 7. 1996, p. 77.

⁽²⁾ OJ No C 368, 23. 12. 1994, p. 12.

The timing of rail liberalization must take full account of the restructuring process and avoid the risk of distorting competition. The introduction of free competition before restructuring is completed could impair the potential growth of the rail market.

3.2.2. It is not clear from the analysis of the introduction of market forces which market sectors could play a role in helping rail transport to develop in a more positive direction. Freight shipments over distances of more than 150 km will hardly reverse the trend on their own. Goods with a high added value are not necessarily to be found on the railways. The problem is that industry is constantly trying to reduce warehouse times. Trans-European transport operations could be improved through the use of telematics systems and better scheduling to reduce transport times, and this could improve the order-book situation.

3.2.3. Ultimately it is the shipper who decides on the mode of transport to be used. Here it is not only the freight price which is the determining factor, as the green paper on efficient pricing in transport states. Many other factors play an important role, too. Delivery times and punctuality also have to be taken into account.

3.2.4. Unfortunately the Committee does not have the necessary data for an exact assessment of the market situation. Studies, such as that carried out by Prognos AG, Basle on behalf of the FAT and German Transport Forum, would certainly provide new information. (FAT publications No 125, February 1996). Tables showing debt and tonne-km are not sufficient on their own to reveal market niches.

3.2.5. Distortions of competition between modes are rooted not only in infrastructure costs but in many other factors too. This argument is endorsed by the common position (EC) No 61/96 adopted by the Council on 25 October 1996⁽¹⁾. The second and third paragraphs of the proposal to amend Regulation (EEC) No 1107/70 on the granting of aids for transport by rail, road and inland waterway state:

'(2) Whereas the growing requirement for mobility is placing ever increasing demands and pressures on people and the environment; whereas, to take account of the present highly uneven spread of costs and pressures between the different modes of transport, the possibility must be created of support for environment-friendly forms of transport;

(3) Whereas the current overall transport policy has not yet succeeded in creating the conditions for healthy competition between the various modes of transport, and whereas no financial equilibrium has yet been achieved within the railway companies.'

3.2.6. As regards the distortions of intermodal competition caused by external costs which have not yet been internalized, the Commission white paper refers to the Green Paper 'Towards fair and efficient pricing in transport — Policy options for internalizing the external costs of transport in the European Union'.

However, the Committee pointed out in its relevant opinion⁽²⁾ out that this green paper was concerned almost exclusively with road transport. Rail transport is mentioned, but there is no detailed analysis of the external costs which may have to be allocated and this is not provided for in the Commission's programme either. This must be done as a matter of urgency.

3.2.7. The Commission's proposed amendments to Community legislation with a view to separating management and bookkeeping for infrastructure and operations should be based on thorough analyses and take account of the experience acquired in the application of the existing legal instruments in this area.

3.2.8. In general the possibility of boosting rail transport through competition cannot be explored meaningfully without looking at the positive experiences of some Member States with distinct business units.

3.2.9. Broadly speaking the Committee supports the creation of freeways. Various technical working groups are still discussing the practical arrangements for setting up European rail freight freeways.

The objective of tapping the full potential of the rail freight system can, however, only be seen as an integral part of an intermodal transport chain. It must be possible to shift goods from and to rail customers as efficiently as possible. Infrastructure charges and timetable priorities are further points which need to be discussed in this context.

3.3. *Rail transport in the public interest*

3.3.1. As the Committee has already emphasized in its opinion on the Citizen's Network, it is of prime importance to define as clearly as possible the scope and objectives of public services in the transport sector. These are services which are not/cannot be provided or adequately provided by purely commercial transport operators, but which are necessary for lasting, high-quality mobility and as a contribution to sustained development, social cohesion and regional balance.

⁽¹⁾ OJ No C 372, 9. 12. 1996, p. 1.

⁽²⁾ OJ No C 56, 24. 2. 1997, p. 31.

3.3.2. Since for historical reasons the scope of public interest services has evolved very differently in the Member States and regional circumstances also have to be taken into consideration, it is for the Member States to apply the subsidiarity principle and define their scope in greater detail. What is important, however, is that their scope be defined unambiguously and be transparent.

3.3.3. Although public services in rail transport mainly involve passenger transport, some freight sectors could, if appropriate, be counted as services in the general interest.

3.3.4. Services in the public interest should be carried out by independent public or private companies on the basis of well-defined contracts in which the services in particular are clearly described. Above all, however, the uneconomic services should be specified and reimbursed from the public purse. Transparency is especially important here.

3.4. *Integration of national railway systems*

3.4.1. Interoperability⁽¹⁾ and infrastructure

3.4.1.1. The objective of EU-level harmonization of technical standards for rolling-stock and infrastructure is bound to benefit the railways. In assessing the longstanding technical monopoly that individual railway companies have had over the ordering and evaluation of equipment, the Commission forgets however that these companies have sunk considerable sums of money into research and testing. These funds would now have to be borne by the industry itself.

3.4.1.2. This has certainly not all happened in a vacuum. The standards have been underpinned internationally by IUR agreements and governments have safeguarded markets and employment for their national industries.

3.4.2. The Committee welcomes the plan to link national transport infrastructure together in trans-European networks and to extend the European railway system to the conventional routes. However, this raises the question of whether these networks are an integral part of the planned freight network or whether a new approach is intended here. The Committee cannot at this point discern a plan or where the financing is to come from. Infrastructure and its cost represent a huge burden. Who will bear it: the Member States or the EU as a whole?

3.5. *Safety and noise reduction*

3.5.1. The Commission cites Commissioner Kinnock's advisory group to the effect that there is not always a proper balance between cost and benefits where rail safety is concerned. This would seem to lead to the equation: reduced costs equal reduced safety. Since expenditure on safety is also an element of external costs and features prominently in railways' accounts this is reflected in greater customer safety. In the absence of precise figures for the true costs of safety expenditure by their main rival, road, it is difficult for the Committee to take a stand. The costs should include the investment and maintenance costs incurred by both national and local authorities in respect of signalling technology, surveillance systems, parking facilities, policing, etc. This would certainly give a quite different picture.

Whenever economic arguments are considered, it should be borne in mind that the overall safety record of the railways has been built up over decades and cannot be jeopardized on the basis of a simple equation.

3.5.2. As regards new construction or the extension of existing infrastructure, there are Community instruments applicable to all transport modes which lay down conditions as to the consultations that must be held on the general environmental damage that will be caused. The question therefore remains as to whether the railways are to be subject to even stricter conditions than their rivals (e.g. as regards noise reduction). Who will bear the extra costs?

3.6. *Social aspects*

3.6.1. Some serious thinking is needed before considering using the European Social Fund. A systematic cut in the workforce cannot be accepted so readily. The shedding of jobs means exacerbating an already bad labour market situation, and in particular fewer staff to provide the planned or expected services. Bringing the various sectors right up to date and applying new technologies are viewed more favourably by the workforce.

3.6.2. Such measures will make the railways more efficient, improve their operation and thus safeguard jobs. Here too, however, everything depends on whether the Member States are willing to invest. The staffing problem, too, is a major part of the legacy from the past and hence part of the old debts of the railway companies, i.e. of the Member States.

3.6.3. In their respective deliberations the Commission and the Council should not neglect discussions

⁽¹⁾ OJ No C 397, 31. 12. 1994, p. 8.

— in a spirit of partnership — with the workforce. Negotiations with the national trade unions, including in the European joint committee, spring to mind.

4. Timetable and conclusions

4.1. The European Community has been trying since 1968 to introduce common guidelines for the railways. This has led to a number of recommendations, decisions, directives and regulations being issued. But these instruments — some legally binding, some not — have not achieved the desired end. Without seeing the reports that the Commission is to send to the Council on the implementation of the various legal instruments in the Member States, it is very difficult for the Committee to follow clearly the concrete impact of these Community principles on current railway policy.

As already stressed in point 2.3, the analysis referred to there must be given priority in the timetable of measures.

4.2. The Commission studies, reports and communications planned for 1997 and 1998 on the various railway-related measures are to be welcomed. The Committee can only support such initiatives. It regrets, however, that these were not started a few years ago so that their findings would be available today; pending specific proposals, however, they will provide factual information and an appropriate foundation for a strategy.

4.3. The Committee would however urge the Commission not to be too precipitate with amendments to legal instruments since the transposition of the various directives is planned for mid-1997 and even the end of 1999.

4.4. The implementation of directives by the Member States is a precondition for access to railway infrastructure and the interoperability of the high speed train network. A further interval is needed between the implementation of the instruments in the Member States and the necessary evaluation of the experience acquired.

4.5. Before the Community legislation is amended, the Commission must ensure that the facts are thoroughly studied and assessed. Only on the basis of such findings can amendments be undertaken.

4.6. The Committee considers that the legal basis still needs to be clarified in order to apply the Commission's guidelines for rescuing and restructuring firms in difficulty to the restructuring of the railways.

4.7. As far as the other measures planned by the Commission are concerned, the comments in the opinion are sufficiently clear.

4.8. Since the Committee regards action as particularly urgent, it would not recommend that the white paper be reworked, however necessary this may be; it would, however, expect the comments made in this opinion on the various projects to be given urgent consideration when the white paper and 'strategy' are implemented.

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Directive amending Directive 94/58/EC on the minimum level of training of seafarers' ⁽¹⁾

(97/C 206/07)

On 17 October 1996 the Council decided to consult the Economic and Social Committee, under Article 84 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 9 April 1997. The rapporteur was Mr Chagas.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion with 123 votes for, one vote against and three abstentions.

1. Background

1.1. Council Directive 94/58/EC ⁽²⁾ on the minimum level of training of seafarers was based on the 1978 IMO STCW ⁽³⁾ Convention.

1.2. The directive also contained provisions on the language skills of the crew and enabled the Port State Control to check the ability of seafarers to communicate between themselves and whether the training level meet the standards of the STCW Convention, especially on passenger vessels.

1.3. In its opinion on the proposed directive the Committee noted that the proposed text would have to be amended shortly after adoption since the revision procedure of the 1978 STCW Convention at IMO level was expected to be completed by 1995.

2. The revision of the 1978 STCW

2.1. The 'human factor' is commonly held responsible for 80 % of maritime accidents and is an important agenda item for international organizations. As part of its work on the 'human factor' the IMO revised the 1978 STCW Convention.

2.2. The IMO Circular which provides guidelines on the revised STCW Convention advises that in the late 1980s it was realized that the 1978 STCW Convention was not achieving its purpose, which was to establish uniform international minimum standards, and was losing credibility. The main reason for this was that it

lacked precise standards and often said 'to the satisfaction of the Administration', which led to widely varying interpretation of the standards and a perception that STCW certificates could not be relied upon.

2.3. The IMO Circular also notes that the knowledge and sea service requirements contained in the STCW Convention did not define the skills and competencies which should be gained. It was suggested that the effectiveness of on board training was being undermined by:

- crew reductions;
- faster turnaround times;
- more frequent crew changes; and
- different mixes of backgrounds due to multi-national manning.

2.4. The IMO Circular additionally recalls that since the adoption of the STCW Convention there had been changes in the structure of the world fleet and the supply of seafarers had shifted from the traditional maritime nations. It was also said that there had been changes to the traditional organization on ships and the duties and responsibilities of the crew and that there was a need to tackle the human related causes of accidents.

2.5. The main aims of the revision process were to:

- transfer all the detailed technical requirements to an associated code;
- clarify the skills and competence required and to take account of modern training methods;
- require Administrations to maintain direct control over and endorse the qualifications of those masters, officers and radio personnel they authorize to serve on vessels flying their flag;

⁽¹⁾ OJ No C 367, 5. 12. 1996, p. 1.

⁽²⁾ OJ No L 319, 12. 12. 1994, p. 28; OJ No C 34, 2. 2. 1994, p. 10.

⁽³⁾ International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW).

- make Parties to the Convention accountable to each other, through IMO, for their proper implementation of the Convention and the quality of their training and certification activities; and
- have amendments enter into force for all Parties to the Convention with the least possible delay.

2.6. In summary, the principle aim was to ensure that the STCW Convention was up to date and established guaranteed unified minimum standards of competence.

2.7. The revised STCW Convention consists of the following:

- the original Articles of the 1978 STCW Convention (unamended);
- the Regulations (which have been heavily revised);
- Part A of the STCW Code (which is mandatory);
- Part B of the STCW Code (which is a recommendation and aims to provide additional guidance in the interpretation of the mandatory requirements); and
- a number of STCW Conference Resolutions.

2.8. The format of the revised STCW Convention is:

- Chapter I — General provisions;
- Chapter II — Master and deck department;
- Chapter III — Engine department;
- Chapter IV — Radio communication and radio personnel;
- Chapter V — Special training requirements for personnel on certain ship types;
- Chapter VI — Emergency, occupational safety, medical care and survival functions;
- Chapter VII — Alternative certification; and
- Chapter VIII — Watchkeeping.

2.9. In order to clarify the linkage between the alternative certification provisions found in Chapter VII and the provisions found in Chapters II, III and IV, the following seven functions were identified:

- navigation;
- cargo handling and stowage;
- controlling the operation of the ship and care for persons on board;
- marine engineering;
- electrical, electronic and control engineering;
- maintenance and repair; and
- radio communications.

2.10. The revised STCW Convention also distinguishes between the following three levels of responsibility:

- 'Management level' — which means the level of responsibility associated with serving as a master, chief mate, chief engineer officer or second engineer officer. The level of responsibility covered relates to ensuring that all functions within the designated area of responsibility are properly performed.
- 'Operational level' — which means the level of responsibility associated with serving as officer in charge of a navigational or engineering watch or as designated duty engineer for periodically unmanned machinery spaces or as a radio operator. The level of responsibility covered is associated with maintaining direct control over the performance of all functions within the designated area of responsibility in accordance with proper procedures and under the direction of the individual serving in the management level for that area of responsibility.
- 'Support level' — means the level of responsibility associated with performing assigned tasks, duties or responsibilities under the direction of the individual serving in the operational or management level.

2.11. The various functions at the three levels of responsibility are established in Part A of the STCW Code in the form of comprehensive tables which set out in detail the:

- competence;
- knowledge, understanding and proficiency;
- methods for demonstrating competence; and
- criteria for evaluating competence.

2.12. The revised STCW Convention is therefore a much more complex instrument than the previous Convention and each part is integral to the others.

The Committee recalls that when the Directive 94/58/EC on the Minimum Level of Training of Seafarers was adopted, Article 9(3)(a) required the Commission to propose a set of criteria for the recognition of types of certificates issued by institutes or administration which would be defined by the Council before 1 July 1995, in accordance with the conditions of the Treaty. They have now done so in Article 9(3)(a) of the amending directive.

3. General Comments

3.1. The Committee is of the opinion that nothing should be done which could in any way undermine the integrity and enforceability of the revised STCW Convention at the international level and considers that

the revised STCW Convention is a complex instrument which can only be read in its entirety.

3.2. The Committee is of the view that a European directive giving effect to the revised STCW Convention could complement this Convention provided:

- it does not cause any unnecessary duplication of requirements and will not require frequent revision;
- it will not create legal uncertainty or a legal conflict between the international and national obligations of Member States who are also Parties to IMO Instruments;
- it is fully in line with the undertakings of the Commission, as contained in the Communication on Safe Seas COM(93) 66 final⁽¹⁾;
- it does not prejudice the aims the IMO articulated when it adopted the revised STCW Convention;
- it does not contain any provisions which could be interpreted as permitting any watchkeeping arrangements which contradict the provisions of the revised Convention.

3.3. The Committee is of the opinion that the amending directive should fully reflect the clarification of the revised STCW Convention transitional provisions and the implementation dates for the various requirements which have been agreed within the IMO.

3.4. The amending directive very properly introduces a new Article 51 covering fitness for duty which reproduces the minimum rest provisions in Chapter VII of STCW 95. However the Committee cannot ignore the fact that the ILO has more recently adopted its new Convention No 180 on seafarers' hours of work. It might be appropriate for the Commission to develop in due course and following the entry into force of Convention No 180 with its accompanying Resolutions a single instrument addressing both the IMO and ILO standards so as to avoid any confusion as to the measures to be applied by Member States.

3.5. The amending directive only contains some of the regulations found in the annex of the revised STCW Convention and does not reproduce Part A and Part B of the IMO STCW Code. Moreover, it fails to make clear whether the amending directive seeks to give full effect to the international obligations of the Member States who are also Parties to the STCW Convention or is supplementary and provides complementary European obligations.

3.6. Although the preamble of the current proposal for a Council directive states that 'the provisions of the revised STCW Convention should be properly reflected in the directive as soon as possible in order to ensure that Member States act in consistency with their obligations at international level', as presently drafted it fails to achieve this aim.

3.7. The revised STCW Convention requires that officers at management level have a knowledge of the national (flag State) legislation. In the Explanatory Memorandum (paragraph 16) of the Commission's proposal it is suggested that Member States can meet the requirement merely by providing a summary and some form of written test which is completed and forwarded to the Administration. The Committee is doubtful as to whether this is in conformity with the revised STCW Convention as it will not be possible to ensure that adequate control procedures can be exercised and that quality assurance standards can be applied. As such, the Committee is concerned that such guidance may be in breach of both the letter and the spirit of the revised STCW Convention.

3.8. The Committee noted that the IMO had agreed that the 69th session of the Maritime Safety Committee would, at a meeting scheduled to be held in May 1997, adopt a number of amendments to the revised STCW Convention, and agreed that it is clear that a suitable mechanism must be put into place to ensure that the amended directive will give effect to the international obligations of the Member States. The proposed amendments are:

- an addition to Regulation V/2 (Mandatory minimum requirements for the training and qualifications of masters, officers, ratings and other personnel on ro-ro passenger ships) in the form of an addition to Regulation V/2.3;
- a new Regulation V/3 (Mandatory minimum requirements for the training and qualifications of masters, officers, ratings and other personnel on passenger ships other than ro-ro passenger ships);
- replacement of some of the current text in Section A-V/2 of Part A of the STCW Code (Mandatory minimum requirements for the training and qualifications of masters, officers, ratings and other personnel on ro-ro passenger ships);
- the addition of a new paragraph 5 in Section A-V/2.5 of Part A of the STCW Code (Crisis management and human behaviour training); and
- the addition of a new Section A-V/3 in Part A of the STCW Code (Mandatory minimum requirements for the training and qualifications of masters, officers, ratings and other personnel on passenger ships other than ro-ro passenger ships).

3.9. The requirements contained in the proposed new text of Article 9(3)(a) are in conformity with the requirements of Regulation I/10 of the revised STCW Convention, insofar as the STCW Regulation requires

⁽¹⁾ OJ No C 34, 2. 2. 1994, p. 47.

the competent administration to confirm, through all necessary measures, which may include inspection of facilities and procedures, that the requirements concerning standards of competence, the issue and endorsement of certificates and record keeping, are complied with. The Committee recommends that such inspections will indeed take place, on a random basis, and/or whenever there seems to be a good reason for that.

3.9.1. The Committee agrees with this provision. However, the following aspects have to be carefully considered:

- the practicability of such a mandatory provision as it would require the inspection of individual maritime colleges,
- the respect of such a measure in the case of existing non-EU seafarers currently serving on EU flag vessels and the necessity of such a requirement in the case of all non-EU countries seafarers, in view of the requirements contained in Regulations I/7 and I/8 of the revised STCW Convention,
- the need for the amending Directive to contain adequate control and enforcement provisions.

3.9.2. In view of the above, the Committee suggests that the criteria for the inspection of non-EU training institutions contained in Article 9(3)(a) sub-paragraphs 2 and 3 should be retained. However, provided it does not undermine the objectives of ensuring harmonized and qualified training and certification activities, consideration should be given as to whether sub-paragraphs 2 and 3 would be better presented by way of recommendatory guidance.

3.10. The Committee recalled the statement contained in paragraph 1.4 of the opinion it had provided⁽¹⁾ on the inclusion of other relevant international instruments relating to the training of seafarers. Including ILO Conventions 53 (Officers' Competency Certificates) (1936), 74 (Certification of Able Seamen) (1946), 69 (Certification of Ships' Cooks) (1946) and 164 (Health Protection and Medical Care of Seafarers) (1987) as the majority of the EU Member States have ratified these ILO Conventions.

3.11. Finally, the Committee notes that neither the Directive 94/58/EC nor the 1978 STCW or the 1995 STCW Conventions apply to fishing vessels and that a parallel convention was adopted by the IMO (the STCW-F Convention). It urges the Commission to encourage the Member States to ratify the new convention in order to ensure an harmonized EU approach on

the standards of training and certification of fishing vessels crews.

4. Specific Comments

4.1. The amending directive could clearly and unequivocally establish the principle that it does not in any way interfere with the obligations those Member States who are also Parties to the STCW Convention have to the IMO. The Committee recommends that an express clause to this effect be added to the Articles of the amending directive.

4.2. The Committee also recommends that the amending directive should also contain an express provision to the effect that the amending directive establishes a minimum European standard and that the Member States are free to adopt higher national standards of competence. Although such a provision is implied by Article 2 of the directive the Committee feels that an express clause to this effect should be inserted into the preamble of the amending directive.

4.3. The Committee further suggests the inclusion of an additional paragraph in the preamble to the amending directive to the effect that:

'Recognizing that the revision of the 1978 STCW Convention was undertaken using the "tacit acceptance" method provided for in Article XII of the Convention and this directly imposes obligations on those Member States which are Party to the Convention.'

4.4. The amending directive fails to revise Article 8 of Council Directive 94/58/EC. However, Article 8(1) is not in conformity with the new Regulation V-13(c) of the IMO SOLAS⁽²⁾ Convention which enters into force on 1 July 1997. The new IMO SOLAS Regulation, contained in Chapter V under the sub-heading 'Manning', states:

'On every passenger ship to which Chapter I applies, to ensure effective crew performance in safety matters, a working language shall be established and recorded in the ship's log book. The company or the master, as appropriate, shall determine the appropriate working language. Each seafarer shall be required to understand and, where appropriate, give orders and instructions and report back in that language. If the working language is not an official language of the State whose flag the ship is entitled to fly, all plans and lists required to be posted shall include a translation into the working language'.

4.5. The Committee noted that the IMO SOLAS Conference which adopted the new SOLAS requirement also adopted a Conference Resolution (No 10) calling for such a requirement to be extended to all ships. The Committee therefore recommends that the Commission utilizes this opportunity to adopt a requirement that

⁽¹⁾ OJ No L 319, 12. 12. 1994, p. 28; OJ No C 34, 2. 2. 1994, p. 10.

⁽²⁾ International Convention for the Safety of Life at Sea.

there is a single working language on all ships flying European flags and those, irrespective of flag, which call at European ports as it did in the case of passenger ships when it adopted the directive.

4.6. The amending directive should also contain the key definitions which are contained in Article II of the 1978 STCW Convention. Article 4 of the amending directive which corresponds to Regulation I/1 of the revised STCW Convention (definitions and clarifications) omits a definition of 'month' and contains a revised definition of 'approved'. The Committee recommends that the definition of 'month' be added and the definition of 'approved' brought into line with that found in the revised STCW Convention.

4.7. Article 5(a)(4) restricts the rights of Member States to make their own judgements and decisions concerning the definition of near coastal voyages and the standards to be prescribed for them by requiring approval through the procedure under Article 13. The Committee notes that Article 5(a) does not include the corresponding provisions in STCW Regulation I/3, paragraph 5, which states that 'Nothing in this Regulation (concerning near coastal voyages) shall, in any way, limit the jurisdiction of any state, whether or not a Party to the Convention'.

4.8. In Article 5b, which corresponds to Regulation I/5 of the revised STCW Convention (national provisions), the replacement of 'any Party' by 'any Member State' in paragraph 4 of the amending Directive changes the meaning of the text and could be interpreted as meaning that a Member State is not required to co-operate with non-EU States with regard to non-compliance by companies located in the EU. As such, this requirement is not in compliance with the provisions of the revised STCW Convention and the Committee recommends that it should be revised in line with the requirements found in the revised STCW Convention.

4.9. Article 5d corresponds to Regulation I/9. Paragraph 4.2 of the amending directive imposed a condition of the requirement to make available information to non-EU States and companies to there being in existence a reciprocal agreement, which is not the case in the revised STCW Convention. The Committee is of the view that this is unnecessary and recommends that the text be amended to reflect the requirements of the revised STCW Convention.

4.10. The Committee notes that paragraph 1.5.3 of Article 9(3)(a) of the amending directive could be interpreted as requiring all foreign seafarers to have completed an approved ARPA simulator course. This Committee considers that this provision should be clarified so that it is limited to those officers assigned to a navigational watch.

4.11. The Committee considers that there is some ambiguity in the criteria for the approval of maritime training institutions as the provision could be interpreted as requiring that maritime training institutions must be able to provide living accommodation [Section 2 sub-paragraph 2.1.1 of Article (9(3)(a))]. As many training institutions do not possess their own living accommodation facilities and such a requirement would have nothing to do with the conduct of education and training programmes and courses, the Committee considers that this requirement would be unnecessary and recommends that the potential ambiguity must be removed.

4.12. In Section 2 of Article 9(3)(a), sub-paragraphs 2.6 and 2.7, there is a requirement that a maritime training institution must provide the Member State with computerized copies of their records. The Committee considers that it would be reasonable to provide an alternative method of meeting this requirement through the provision of records in a suitable written form.

4.13. The Committee notes that the amending directive does not contain any provisions equivalent to those contained in Regulation I/13 of the revised STCW Convention (conduct of trials). The Committee is firmly of the view that the watchkeeping provisions should be retained in the amending directive and that the Commission should use this opportunity to ensure that solo watchkeeping during periods of darkness cannot be carried out on European flag vessels nor within European waters by foreign flag vessels. The European Parliament in a Resolution on safety at sea⁽¹⁾ urged the Commission to move in that direction too.

4.14. The Committee suggests that the contents of paragraph 1 of chapter 1 of the annex to the amending directive, which contain references to Parts A and B of STCW Code, should be more appropriately contained in an Article within the amending directive. Perhaps, with a view to ensuring greater clarity, into Article 1.

(1) OJ No C 47, 19. 2. 1996, p. 27.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the '7th Annual Report on the Structural Funds 1995'

(97/C 206/08)

On 29 November 1996 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the 'Seventh Annual Report on the Structural Funds 1995'.

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work, adopted its opinion on 11 April 1997. The rapporteur was Mr Simpson.

At its 345th plenary session (meeting of 23 April 1997) the Economic and Social Committee adopted the following opinion by 123 votes for, two votes against and five abstentions.

1. Introduction

1.1. Council Regulation (EEC) 2081/93 sets out the tasks of the Structural Funds, the classification of the Objectives of the Funds and defines the activities which are eligible for support under each of the Funds. Article 16 of the Regulation requires the Commission to submit, before 1 November of each year, a report to the European Parliament, the Council and the ESC on the implementation of the Regulation in the preceding year. The report is required, in particular, to detail the progress made towards achieving the objectives of the Structural Funds and in concentrating assistance in the manner specified in the Regulation.

1.2. COM(96)502 final is the 7th Annual Report on the Structural Funds and details their operations during 1995.

1.3. In addition, Article 16 also provides for the Commission to submit a three yearly report to the Parliament, the Council and the ESC detailing the progress being made towards economic and social cohesion and the contribution made by the Funds and the Community's other financial instruments, together with proposals for the development of the Community's operations and policies regarding economic and social cohesion. The first such report was presented by the Commission on 6 November 1996⁽¹⁾ and is the subject of a separate opinion.

1.4. This opinion, therefore, concentrates on assessing the value added by the 7th Annual Report on the Structural Funds and does not stray into a consideration of the wider issues addressed in the wider report on economic and social cohesion. However, at certain points the Committee has acknowledged the further information provided in the Report on Economic And Social Cohesion and, indeed, of the Court of Auditors Annual Report of 1995 which commented extensively on the implementation of the Structural Funds.

(1) COM(96) 542 final.

2. The context of the report

2.1. The major reform of the Structural Funds in 1988 introduced four key principles to guide the operation of the Funds, namely:

- concentration — of resources on defined priority objectives and in specified geographical areas;
- partnership — involving close collaboration between the Commission and the relevant authorities at national, regional or local level. This partnership was extended in 1994 to competent authorities or bodies — including, within the framework of each Member State's national rules and current practices, the economic and social partner designated by the Member State;
- programming — in terms of the period covered, the scope for assistance and the selection of specific actions appropriate for each eligible area, through the medium of a Community Support Framework (CSF) or a Single Programming Document (SPD), and
- additionality — to ensure that the finance from the Structural Funds is not used to replace national structural aid, Member States were required to 'maintain, in the whole of the territory concerned, its public structural or comparable expenditure at least at the same level as in the previous programming period' and to supply the information required to verify that the principle of additionality is being reflected.

2.2. These principles were maintained and reinforced in the revision of the Structural Funds regulations undertaken in 1993, which extended the concept of partnership to the Economic and Social Partners (subject to the practices of particular Member States), placed a particular emphasis on the environmental impacts of the Structural Funds and provided a new map of the regions eligible under each of the Structural Funds objectives. In addition, the Act of Accession for the new

Member States added a 6th Objective to the Structural Funds — helping the development and structural adjustment of regions with extremely low population densities.

2.3. Member States were invited to submit, by June 1994, proposed development plans for each region, or eligible purpose, covering the period 1994-1999. In addition, proposals for actions under each of the Community initiatives were also to be submitted in the same time-scale.

2.4. As a result over 700 proposals were submitted to the Commission during 1994 and the Commission's work in relation to the Structural Funds during 1995 was dominated by the process of considering and approving the plans submitted. The result is that the report on that period is dominated by issues of process and compliance. As the various CSFs and SPDs evolve it would be expected that the report will become progressively more concerned with assessment of the impact of the Structural Funds in particular regions and across the Union and with issues relating to their future development.

2.5. The Structural Funds remain the primary budgetary instrument through which the European Union assists the economic and social development of the less prosperous regions of the Union. Within the overall EU budget in 1995 of ECU 71,0 billion, the Structural Funds were allocated ECU 22,3 billion and the Cohesion Fund ECU 2,2 billion (see appended table 1).

3. Response to the report

3.1. General

3.1.1. The report is welcome. It provides a detailed and thorough assessment of the implementation of the Structural Funds in 1995.

3.1.2. The report runs to over 330 pages and has over 170 tables, including those provided in the annexes to the report. As a result the report is complex. A welcome attempt has been made to provide an overview in the introductory section of the report.

3.1.3. Given the complexity of the report, it is clearly not possible for the ESC to consider all of its aspects. In this opinion the Committee concentrates on the degree of achievement of the principles underlying the reform of the Structural Funds and a small number of other issues of strategic importance.

3.1.4. The report acknowledges the influence of previous ESC opinions in relation to the Structural Funds, in particular those in relation to spatial development, inter-regional cooperation and the future of cohesion with reference to future enlargement.

3.1.5. In overall terms the Committee endorses the report and commends the Commission on its comprehensiveness. The comments and suggestions made in later parts of this opinion need to be interpreted in the context of the overall welcome the Committee has for the report.

3.2. Concentration

3.2.1. The principle of concentration requires the focusing of assistance on a limited number of objectives and eligible areas, a focusing on the most severe problems and on several themes which are important across the EU.

3.2.2. In practice, the main decisions on concentration were made in 1994 with the determination of the eligible areas for Structural Fund assistance and of the indicative financial allocations to each area. However, the Commission has respected the principle by concentrating its priority efforts on the proposals for Objective 1 areas.

3.2.3. It is worth noting that the Court of Auditors in its Annual Report of 1995 was not convinced that the principle of concentration had been adequately respected. The Court reached the view that as a result of more than half of the Community population being eligible for some form of support under the Structural Funds 'Community aid measures are to a certain extent sprinkled over a large number of eligible areas' (1). The first report on economic and social cohesion also concludes that the principle of concentration was not well respected in setting the parameters for the 1994-1999 period.

3.2.4. The Committee has reservations about the use of a GDP per head measure as the sole determinant of the economic and social condition of regions — particularly given the problem of inter-regional transfers. It believes that the Commission should consider additional measures, to replace or supplement the use of per capita GDP. However, in the context of the current report, it would have been helpful for the Commission to have demonstrated the per capita allocation of the Structural Funds to each region, which qualified under Objectives 1, 2 and 5, in relation to the level of GDP per head in the region as a first approximation to a measurement of the degree of concentration of the financial allocations on the most disadvantaged areas of the Community.

3.2.5. Data provided in the Court of Auditors Annual Report of 1995 enables an analysis to be carried out of this relationship in relation to Objective 1 regions. The results are shown in the chart in the Annex, which

(1) The data in the table are taken from table 5.3 in the report of the Court of Auditors (referred to above). The GDP figures are those for 1993 and have been standardised in terms of purchasing power on the basis of: EU (15) = 100. The data on aid/inhabitant are calculated in ECU/inhabitant on the basis of population figures for 1990, the average of Objective 1 regions being equal to 100.

suggests that, while in general regions with lower per capita GDP levels have received more funding per capita than other regions, the relationship is relatively weak and there are very many considerable exceptions to the relationship⁽¹⁾.

3.2.6. A further aspect of concentration is the use of the various funds (the ERDF, the ESF, the EAGGF and the FIFG) to tackle the development problems faced by regions in an integrated and programmed manner. In this context it is disappointing to note that only 31 of the Objective 1 operations adopted in 1995 (19 % of the total) involved three of the Structural Funds and only 12 (7 %) involved all four of the funds.

3.3. Programming

3.3.1. Much of the report is about the process of programming Structural Funds interventions in each region.

3.3.2. In all, over 700 Structural Funds programmes were adopted in 1994. The overriding conclusion, endorsed by the Commission, from the 1995 report is that procedures risk becoming excessively complex and bureaucratic.

3.3.3. The first report on economic and social cohesion debates the implications for future Structural Funds policies of the experience of the congestion of systems by numerous programmes in the 1994/95 period. The Committee notes the implications of that experience for future rounds of the Structural Funds and endorses the actions taken by the Commission to address the problems by reducing the complexity of programming procedures and/or making good and timely preparation for the process by training and the allocation of adequate resources both in the regions and in the Community institutions themselves.

3.4. Additionality

3.4.1. Additionality is to be verified by information provided by Member States at the level of each objective and programme. In the case of a Member State covered by more than one objective this can be complex, especially as the areas covered by some Structural Funds interventions do not coincide with regional financial structures in some Member States. The requirement is that the Member State's own structural interventions in the eligible regions are not reduced to less than their level in the previous programming period (subject to a number of caveats relating to exceptional expenditures, privatization, cyclical effects etc.).

3.4.2. The report states that the additionality verification process in relation to the period 1989-1993 (the previous round of the Structural Funds) has been completed for Objective 1 and 2 regions and that

- additionality was verified for five Member States;
- was impossible to verify in three Member States because of incomplete data, and
- impossible to verify in four Member States because of a total absence of data.

3.4.3. In relation to Objectives 3 and 4 additionality in relation to the 1989-1993 period was verified for four Member States, uncertain for two Member States and impossible to verify for five others. Only in relation to Objective 5(b) was additionality in relation to the period 1989-1993 verified in all Member States.

3.4.4. Assessment of additionality in relation to the current operations of the Structural Funds was undertaken only for Objective 1 in 1995 and the results were 'limited' because only one Member State observed the principle and the verification procedures.

3.4.5. Clearly the system for the verification of additionality is not working well, in part because of the complexity of the issues and in part because of a lack of cooperation by certain Member States. This is a matter for considerable concern. The complex administrative and programming procedures laid down for the Structural Funds can only be justified if the Funds have a genuinely additional impact in the regions and on the issues identified. If such a genuinely additional impact cannot be verified, the programming and administrative requirements may act as a drag on the development of the least prosperous regions of the Community, rather than a response to their needs. The Committee endorses the actions which the Commission is required to take to verify additionality and to stress that workable arrangements for such verification will be an important component of future arrangements for the Structural Funds.

3.5. Partnership

3.5.1. Partnership is the fourth principle underlying the reform of the Structural Funds. The concept of partnership was extended in 1993 from regional and local bodies to the economic and social partners, but this extension was subject to the rules and practices of each Member State.

3.5.2. The report notes that partnership arrangements with regional authorities are now better developed but arrangements are less satisfactory at local level. It also notes a trend towards greater involvement of the economic and social partners, but acknowledges that the situation varies greatly between Member States 'from no involvement in some Member States, through indirect representation or mere information procedures

⁽¹⁾ 2.1 of the 7th Annual Report.

in others, to real involvement in decision making in others'. The report also refers to the complexity and unwieldy nature of many of the monitoring arrangements at regional level and of the need to develop more appropriate procedures to avoid the danger of 'increasingly unwieldy procedures in increasingly complex partnership structures'.

3.5.3. The Committee endorses the Commission's efforts to extend the practice of partnership in the context of the Structural Funds, but notes that the Commission has no power to insist on appropriate partnership structures where these would not fit with Member State procedures. This will be an important issue for the next round of the Structural Funds and to enhance the contribution of the economic and social partners to the enhancement of closer cohesion. The Committee would ask the Commission to report more fully on the actual condition of local partnerships in subsequent Annual Reports on the Structural Funds, enabling the Committee to make a more fully informed judgement on the true extent and nature of the role played by all of the economic and social partners in each Member State.

3.5.4. Both the existence of a partnership and its quality are important. The Economic and Social Committee is concerned that regional or local bodies involved in a partnership structure may not have genuine independence of central government (in part because of financial relationships) and may, therefore, not accurately represent the full range of opinions in their areas. The real test is the extent to which all of the economic and social partners at national and local levels have a voice which is heard and which is genuinely influential both in determining strategic priorities for the Structural Funds and in the day to day decisions about their application.

3.5.5. The Committee would encourage the Commission to continue its efforts to extend the process of economic and social partnership in all Member States. This could include actions to improve the technical capability of the economic and social partners so that they can respond more fully to request for inputs and opinions and to the other demands of their role. The Committee, however, recognizes that the Commission has no power to insist on the representation arrangements for economic and social partners and it therefore concludes that there exists a heavy onus on the Member States to develop and implement appropriate and effective structures for the involvement of the economic and social partners in the delivery of the Structural Funds.

3.6. *Monitoring and Evaluation*

3.6.1. The main activities in relation to monitoring and evaluation in 1995 related to:

- establishment of the monitoring committees;

- the publication of a 'Common guide for monitoring and interim evaluation', and

- the commencement of the process of carrying out mid-term reviews of the CSFs, SPDs and Community initiatives.

3.6.2. In relation to the establishment of monitoring committees, the comments made in the preceding section in relation to the principle of partnership emphasize the importance of open and transparent monitoring with the genuine involvement of the economic and social partners. The Committee has noted that the role of the Monitoring Committees goes beyond the financial monitoring of the Structural Funds and that the economic and social partners, therefore, have an especially important role in providing and assessing qualitative data on the progress of Structural Fund interventions. Effective exercise of this role requires that the economic and social partners are provided with sufficient technical capacity to fulfil the tasks allocated to them and that they are provided with sufficient information to enable them to develop informed judgements.

3.6.3. The publication of the 'common guide' is welcomed. The guide provides a framework within which the progress of Structural Funds can be monitored. Unfortunately, the guide was published after the preparation of the CSFs and SPDs and its recommendations, therefore, have to be added on to existing monitoring arrangements. It would have been preferable to publish the 'common guide' before the process of developing CSFs and SPDs began so that its recommendations could have been embedded in Member States' proposals and in the agreed plans.

3.6.4. The process of mid term review is important. There is the danger that it will again clog the administrative system as over 700 OPs, SPDs and Community initiatives are reviewed and, where appropriate, renegotiated to refocus them in the light of experience or of a changed environment. The report notes that the mid-term review process is due for completion in 1996, but got off to a slow start. The ESC will wish to consider the outcome of the process of mid-term review in some detail in considering the 1996 Annual Report on the Structural Funds and requests that in that Annual Report the Commission should highlight the extent of the involvement of the economic and social partners in the process of the Mid Term Reviews in each Member State.

3.7. *The environment*

3.7.1. In recognition of the importance accorded to the environment in the Structural Funds regulations, the report places a special emphasis on the environment and numerous examples of environmental aspects of the implementation of the Structural Funds are provided throughout the report. The report states that there has

been a clear improvement in the way in which the environment has been taken into account in planning Structural Funds interventions for the period 1994-1999.

3.7.2. The greater emphasis on the environment in the Structural Funds and in the Annual Report is very much to be welcomed. The various examples provided in the Report show that the environment is receiving considerable priority in Structural Funds activities across the Community. However, the report provides little information about the aggregate environmental impact of the Structural Funds in individual regions, by objective or across the Community. In future reports it will be important to develop a framework for reporting the environmental impact of the Structural Funds against a number of criteria including any available performance indicators.

3.7.3. This process should be assisted by the existence in CSFs and SPDs of quantified environmental objectives, although it should be noted that in most cases those objectives will not be achieved until the end of the programming period because of the long lead times involved in infrastructural projects. The Commission may wish to give consideration to a series of pilot studies to identify the various environmental impacts of the Structural Funds in different EU regions.

3.8. *The Structural Funds, employment and other Community policies*

3.8.1. The report provides a valuable analysis of the inter-relationships between the Structural Funds and other Community policies. In 1995 (and 1996) considerable debate focused on the relationship between the Structural Funds and the generation of additional jobs. The report emphasises that the Structural Funds are already significantly focused on employment generation, on training and re-training and on tackling social exclusion and exclusion from the labour market. A number of proposals were developed in 1995 and 1996 to sharpen even further the focus of the Structural Funds on these issues. The ESC will wish to consider the outcomes of the consultation on these issues which will be important considerations in the mid-term review of Structural Fund activities and which should form an important focus of the next Annual Report on the Structural Funds.

3.8.2. The report also comments on the degree of conformity with a range of other Community policies and priorities and this extra dimension to the report is welcomed.

4. Conclusion

4.1. The Committee congratulates the Commission on the preparation of a good report. It provides a comprehensive overview of the implementation of the Structural Funds in 1995 and enables a preliminary assessment to be made of the extent to which the principles underlying the reform of the Structural Funds are being respected.

4.2. The report needs to be considered in the context of the first report on economic and social cohesion, which is the subject of a separate Opinion. That report provides a first consideration of the role of the Structural Funds after 1999, an issue which will be of considerable interest to the Committee.

4.3. As we move through the 1994-1999 programming period it is to be expected that the focus of the Annual Reports on the Structural Funds will progressively move from one of process and compliance towards an emphasis on the assessment of actual impacts and development options.

4.4. Reconsideration and reform of the procedures for developing and approving the plans to use the Structural Funds is necessary. The strong impression from this report is that during 1995 the administrative systems were effectively blocked by the task of approving several hundred Operational Programmes, Single Programming Documents and Community Initiatives. These procedures were cumbersome, costly and gave rise to substantial delays. Their reform before a new set of Structural Fund Programmes is submitted in 1999 is already urgent. When the new Structural Funds policies are formulated, considerable resources and adequate time will need to be allocated for preparation and training for the process of Programme development in the regions and consideration and approval by the Community institutions.

4.5. The ESC will wish to consider, in the context of the next Annual Report, the outcome of the current debate on the relationship between the Structural Funds and employment generation. This issue will also be an important consideration in the Mid Term Review of the Structural Fund activities.

4.6. The Committee recognizes that the preparation of the annual report on the Structural Funds is a considerable task and commends the Commission on the 1995 Report. In preparing the 1996 report, the Committee would wish the Commission to bear in mind the following points for particular emphasis:

- the role of the economic and social partners in the implementation of the Structural Funds in each Member State: the ESC would wish to see fuller and more critically appraised information to allow it to make an informed judgement on the actual status, role and effect of the economic and social partners;
- in this context, particular emphasis should be placed on the technical capacity of the partners to play their allotted roles and on the steps which may be taken to enhance that capacity where such enhancement is considered necessary;

- in addition, the Committee wishes to consider the role of the economic and social partners in the conduct of the Mid Term Reviews in each Member State;
- in the Report, consideration should be given to alternative measures of the economic and social condition of regions (and the less prosperous Member States) to supplement the present reliance on GDP per capita;
- the Committee would welcome information in the 1996 report on pilot studies to identify the specific effects of the Structural Funds when applied to environmental projects in different regions, and
- the Committee supports the Commission in its efforts to secure greater progress in assessing 'additionality' in relation to the interventions by the

Structural Funds and calls on the Member States to co-operate fully with the Commission in this important means of verifying the effectiveness of the Funds in achieving their objectives.

4.7. The Committee welcomes the way the Commission has drawn attention in its report to the new Member States and to their use of the Structural Funds after enlargement. This is particularly important for new Member States when they are assessing their position in relation to future use of the Funds.

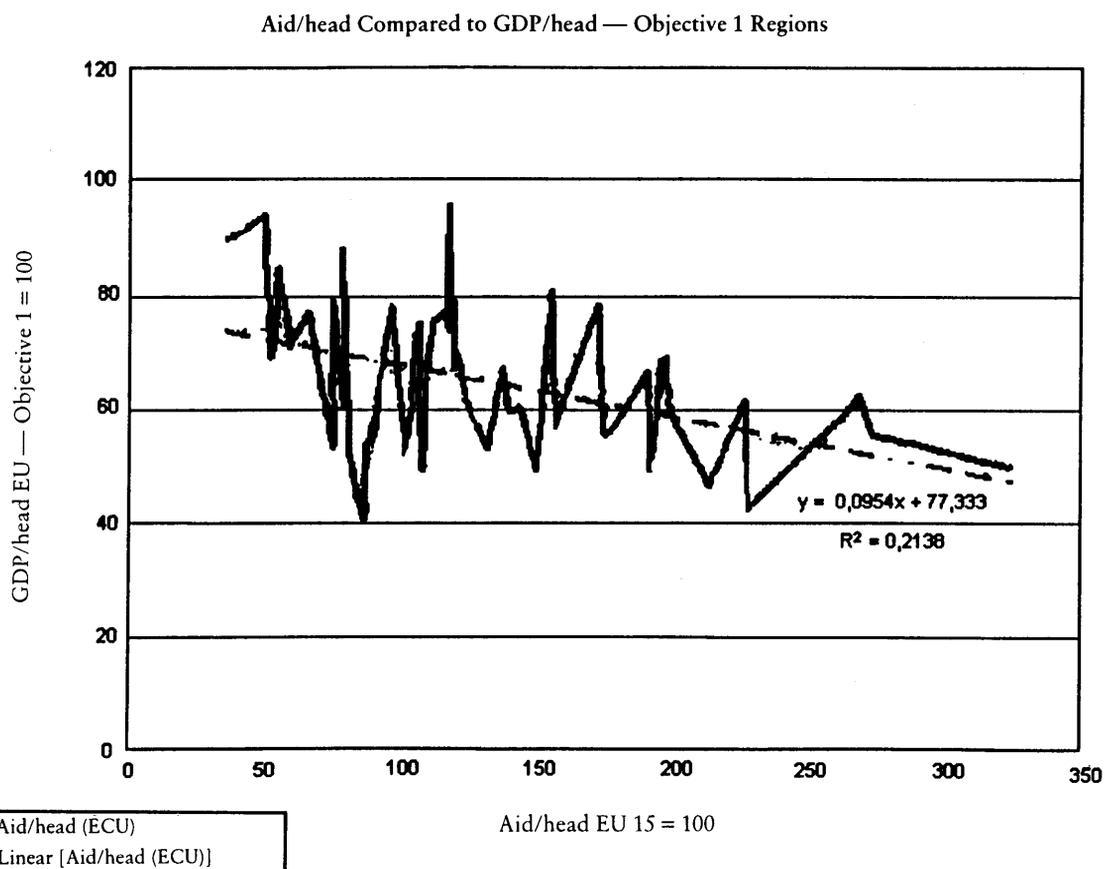
4.8. The Committee hopes that the Commission will take account of the various comments made in this opinion both in the implementation of the Structural Funds and in the preparation of the 1996 and subsequent annual reports. Furthermore the Committee expresses the hope that the Commission will present the report on the Structural Funds in 1996 as soon as possible and, in any case, earlier than was done with the 1995 report.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

APPENDIX I

Chart showing the relationship between GDP/head and Structural Funds Aid/head in the Objective 1 regions



APPENDIX II

The Structural Funds in the EU Budget⁽¹⁾

Actual commitments, 1995

Total EU budget (Part B)	MECU 71 015	% 100
Structural operations	24 793	35
of which:		
Structural Funds	22 270	31
Cohesion Fund	2 152	3
EAGGF Guidance	177	0,3
EAGGF Guarantee	34 503	49

⁽¹⁾ The items listed do not comprise all the expenditures on structural operations.

Source: General Budget 1997; OJ No L 44, 14. 2. 1997; p. 357 et seq.

Opinion of the Economic and Social Committee on the 'Communication from the Commission on Energy for the future: renewable sources of energy (Green Paper for a Community Strategy)'

(97/C 206/09)

On 26 November 1996 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned communication.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 April 1997. The rapporteur was Mr Morgan.

At its 345th plenary session held on 23 and 24 April 1997 (meeting of 24 April 1997), the Economic and Social Committee adopted the following opinion by 40 votes in favour, one against and one abstention.

1. Introduction

1.1. The Economic and Social Committee welcomes the green paper. In its Opinion on the Community's Energy Policy⁽¹⁾, and in its Opinion on the Green Paper 'For a European Union Energy Policy'⁽²⁾ the ESC presented its views on the strategic importance of the renewable energy sector.

1.2. The green paper is written in two parts:

- The first five chapters outline the case for renewable sources of energy and highlight the impediments preventing a greater market share for renewables.
- The sixth and last chapter outlines the Commission's strategy for increasing the share of renewables and asks the strategic questions to which the ESC is invited to reply.

1.3. This opinion is written in three parts:

- In section 2, we outline the Commission's thesis and give our opinion on the main issues.
- In section 3, we give our replies to the Commission's strategic questions.
- In section 4, we give our summary and conclusions.

2. The Commission's thesis

2.1. Background

2.1.1. The European Union's current energy situation calls for effective management of all available resources

to attain Community objectives. A well balanced fuel mix, in which all appropriate energy sources play their proper role, is essential to support sustainable economic growth. Renewable sources of energy are currently unevenly and insufficiently exploited in the EU.

2.1.2. Renewable energies are non-depletable forms of energy including, in particular, hydropower, wind and solar energy (both thermal and PV), biomass and geothermal energy. Municipal and other organic wastes, although depletable, are normally also classified as renewable sources of energy. The list of renewables furthermore includes a number of technologies which are still at an experimental stage or which have still to prove their economic viability, such as wave energy, tidal energy and hot dry rock.

2.1.3. Promotion of renewable sources of energy has for a considerable period of time been a central objective for Community energy policy which has three objectives: improved competitiveness, security of supply and protection of the environment. Promotion of renewable energy sources is among other policies identified as one important element in achieving these objectives.

2.1.4. A strategy for renewable energy sources is required for a number of reasons:

2.1.4.1. Most importantly, renewables will not make major inroads into the Community energy balance unless targets are set and supportive policies established.

2.1.4.2. A long-term stable framework for the development of renewable sources of energy covering the political, legislative, administrative, economic and marketing aspects of renewables is the top priority for the economic operators involved in the development of renewables.

⁽¹⁾ OJ No C 39, 31. 12. 1994.

⁽²⁾ OJ No C 256, 2. 10. 1995.

2.1.4.3. Europe is to a large extent the world's leader in renewable energy technologies.

2.1.4.4. A strong competitive position in the global marketplace can best be maintained and improved only with a significant and growing home market. A clearly defined strategy will preserve and strengthen the position of the European Union in this respect.

2.1.4.5. A policy for the promotion of renewables will require across the board initiatives encompassing a wide range of Community competencies including agriculture, external affairs, research and technological development (including demonstration), fiscal policy, regional and environmental policies.

2.1.5. This green paper is the first major step in the establishment of such a strategy for renewable energy sources. It contains the political philosophy related to renewable energy sources and it outlines the areas in which further action can be undertaken.

2.2. *The current situation: The potential for renewables energy sources in the European Union is unevenly and insufficiently exploited*

2.2.1. The unexploited technical potential is particularly significant with respect to biomass, including energy crops, wind and solar energy.

2.2.2. The large differences between Member States can be partly explained by different geographical and climate conditions. The industrial structure and the energy policies pursued at national level play an important role. As one example of the results of positive policy incentives for renewables, 70% of the total installed wind energy capacity in the EU is located in Germany and Denmark.

2.2.3. Large scale hydro dominates the present renewable energy mix.

2.2.4. Biomass comprises residues from forestry and agriculture, energy crops and biofuels. Forest residues are currently the most important element comprising, in particular, wood chips (including manufactured pellets). There is not yet an established market for energy crops. Biofuels, mainly rape seed oil and bio-ethanol, have a small market in a few Member States.

2.2.5. Wind energy is, in some Member States, currently the fastest growing energy source for electricity production.

2.2.6. Solar thermal heating technology is almost fully developed. It is cost competitive compared to electric water heating, in particular in the southern parts of the EU. Solar photovoltaic is the most prestigious renewable energy technology, but costs are still significantly higher than for electricity generated with conventional fuels.

2.2.7. Energy from waste represents a significant energy resource. Improvements in re-use and recycling are expected to reduce future waste disposal volumes.

2.2.8. Geothermal energy is not a considerable contributor to renewable energy in the EU.

2.2.9. Tidal and wave energy represent a considerable potential.

2.2.10. Many renewable technologies need little or no further R&D efforts to become competitive. The key to a higher market penetration is to overcome market barriers and market imperfections. For these technologies, which notably include passive solar, biomass, waste, small hydro, on-shore wind turbines, and conventional geothermal, the principal political incentives needed are market enabling measures. Photovoltaics, off-shore wind farms and energy crops require further RD&D, with particular emphasis on the demonstration phase while more basic research is required for tidal, wave and hot dry rock geothermal energies.

2.3. *Market penetration — forecasts: Renewables can make a major contribution to EU energy consumption*

2.3.1. The most recent long-term energy forecast published by the Commission is European Energy to 2020. With a view to illustrating the potential effects of specific policy initiatives in the field of renewable energy sources, the Commission has built on this exercise with the TERES II study, in which a number of scenarios were developed.

2.3.2. The last scenario developed under TERES II is based on Best Practice Policies which assumes that the policies which have been most effective in promoting the use of renewable energy sources are applied EU-wide. These policies include:

- government programmes concentrated on moving renewable energy technologies to commercialization and improved systems for local planning;
- increased R&D leading to a 20% cost reduction;

- land availability for energy crops increased by 25 % and set aside subsidies on 12 % of food producing land guaranteed until 2000; and,
- internalization of external costs of conventional fuel cycles.

2.3.3. Overall renewable energy volumes under the policy assumptions included in the Best Practice Policies scenario amount to 12,5 % of gross inland consumption by 2010. This compares with 5 % in 1990 and 5,4 % in 1994. Recognizing that the share of large-scale hydro may not have much further growth potential, the enormous challenge represented by this Best Practice Policies scenario is clear.

2.3.4. Unless specific incentives are put in place it is unrealistic to expect that the large potential for renewable energy will be exploited.

2.4. *The advantages of renewable sources of energy: Renewables contribute to achieving Community energy policy objectives, environmental protection, employment and regional development*

2.4.1. The Commission believes that increased use of renewable energy sources, as a result of a comprehensive strategy, will bring a number of advantages for the energy sector and the economy.

2.4.2. Environmental protection

2.4.2.1. Developments in recent years have highlighted the environmental problems directly linked to the use of fossil fuels, in particular the problems related to CO₂ emissions and climate change. Increased use of nuclear energy offers only a limited contribution to solving these problems due to the fact that not many Member States have chosen the nuclear option. The current overall energy mix is incompatible with the long-term requirements for sustainable development.

2.4.3. Security of supply

2.4.3.1. Renewables are by definition non-depletable and indigenous. Further exploitation of the potential can improve security of supply.

2.4.4. Competitiveness

2.4.4.1. There are sound reasons for promoting renewables vis-à-vis the third EU energy policy objective i.e. improving overall competitiveness of European industry. The Commission's 1993 White Paper on

growth, competitiveness and employment argues that clean technologies are a key to future economic prosperity and that the current general taxation system does not lead to an optimal resource allocation. In this light and with the prospect of future internalization of external cost, renewables could make a strong contribution to a sustainable and competitive European energy system.

2.4.4.2. Another important aspect is the potential growth of the European renewable energy industry. Globally the renewable energy market potential for further expansion, in particular in developing countries, is impressive and has been estimated at more than ECU 1 700 billion by 2020. To grow an export market it is essential that the EU industry is able to grow in its home market.

2.4.5. Regional development, social and economic cohesion and employment

2.4.5.1. Renewables are local energies. Production of renewable heat and power and the installation of renewable energy plants are, in many instances, independent of the existence of infrastructure. Many less developed regions have a good renewable energy resource potential. Promotion of renewables is a major element in regional policy.

2.4.5.2. There are opportunities for job creation and development of the SME sector.

2.4.5.3. Tourism offers good opportunities for increased use of renewable sources of energy. Regions with a tourist industry need, in particular, to be environmentally preserved. Overall, increased use of renewable sources of energy can be an interesting alternative to conventional energy production in touristic areas.

2.5. *The problems to be faced: A series of obstacles hinder a more widespread use of renewables*

2.5.1. The limited market penetration of renewable sources of energy can to a large extent be attributed to the lack of political will to remove the barriers to more widespread use of renewables.

2.5.2. Cost barriers

2.5.2.1. A key obstacle to a higher market penetration of renewables lies in the cost related to deployment of these energy sources. Optimal introduction of renewable energy sources may be dependent on internalizing the

costs of externalities for non-renewable energy sources. Studies show that renewables would have a much bigger share of the market, even given the current state of technologies if, for example, fossil fuels were priced in a way to reflect full costs of externalities, notably the cost related to environmental protection.

2.5.3. Technical and non-technical barriers

2.5.3.1. The attitude of financiers is negative. Among the main financial barriers in common to most renewable projects are the long pay-back periods at the current price level. Without clear indications of the long-term scenario, equity investors and financial institutions are unable to take a long-term view of the projects. The perceived risks (both technical and market related) by financial institutions, investors, purchasers of equipment, consumers etc. are often over-estimated.

2.5.3.2. Information, awareness and experience related to renewables is not evenly distributed throughout the EU.

2.5.3.3. National power production companies, and in particular monopolies, often have negative attitudes towards renewables.

2.5.3.4. Connection to centralized electricity grids poses technical and economic problems. A problem related to certain grid-connected renewables, notably wind and solar, has to do with diurnal and seasonal supply variability.

2.5.3.5. In the transport sector, biofuels require an appropriate infrastructure.

2.5.3.6. Technical requirements related to non-grid-connected renewable energy sources create obstacles. Building regulations often do not take account of the special requirements for renewable energy installations. Quality standards on the technical performance of consumer products, such as solar, thermal, water heating, will enhance public confidence which is essential for mass marketing. The lack of technical harmonization creates serious barriers to trade in renewable technologies.

2.5.3.7. As renewable energy projects are often located in areas close to resources where energy projects are not common, projects may meet resistance from local residents based on environmental concerns.

2.6. *The ESC's Opinion on the Commission's thesis*

2.6.1. The ESC welcomes the green paper and supports its assertion that, 'the current overall energy mix is incompatible with the long-term requirements for sustainable development'. While broadly supportive of the Commission's thesis, the ESC has a number of specific comments as follows.

2.6.2. While Europe is to a large extent the world's leader in renewable energy technologies, there is evidence of considerable investment and market-oriented research in the USA, Japan and Israel. US companies are heavily targeting the third world. We agree with the Commission that the EU should remain the world's leader in renewable energy technology but we do not believe that it will maintain this position without a programme such as is envisaged in the green paper. In particular, programmes to support exports of renewable energy technology will be vital.

2.6.3. Although the TERES II scenarios run until 2020, the green paper's horizon stops at 2010. While we understand the difficulty of forecasting the economic prospects of renewable energy, it seems to us that the action programme envisaged by the Commission needs to be judged against the longer term scenario. Assuming a major contribution by the mid-21st century, then most of the measures proposed in the green paper can be justified to improve the penetration of these technologies in the short term.

2.6.4. Renewables should help promote sustainable development. Every type of energy production and utilization has an impact on the environment. The effect that different kinds of renewables have on the environment varies enormously in both nature and extent. To advance sustainable development, a specific environmental balance sheet must be drawn up for each renewable energy technology. In assessing the environmental impact of each renewable technology, it is important to consider the wider greenhouse gas effect. Priority can then be given to promoting renewables whose ecological balance sheet is particularly favourable and which are accordingly capable of providing a cleaner energy option to fossil fuels.

2.6.5. The ESC feels that the internalization of external costs is a complex exercise. A general tax increase on energy is not needed. The accelerated penetration of renewables does need a system of financial incentives. In general, we would expect these to be national actions, so long as these do not distort the internal market, but consideration needs to be given to coordination within the Union so that stable and predictable market conditions are created for energy product and service companies, their investors and customers.

2.6.6. Connection to centralized electricity grids poses technical and economic problems.

2.6.6.1. At the moment these do not matter because the low incidence of grid connected energy from renewable sources means that it can easily be accommodated within the normal margin of error. It would not be possible to accommodate high variable volumes within today's grid scheduling practices. This means that there will have to be both development of advanced electricity storage technologies and a focus on applications for renewable energy in stand-alone environments. Advanced storage technologies are vital for the development of renewable energy sources and we would expect to see these supported by the 5th Framework Programme.

2.6.6.2. In hot, developing countries, wind and photovoltaic energy sources are already economically viable and can be used independent of the grid which has to be built to deliver fossil-generated electricity. For the reasons stated above, commercial renewable energy is still some way from economic exploitation in developed countries with existing grids. This suggests that, in the short to medium term, a priority should also be given to promoting the market for renewables in developing countries.

2.6.7. To balance the developing country focus suggested in point 2.6.6.2 above, the most effective action in the developed world in the short to medium term must surely be to promote energy efficiency. Virtually all energy efficiency measures are more cost-effective than virtually any renewable energy source in the present state of the technology. We need to focus on demand side management at the same time as looking for new energy sources. Budgetary support for efficiency measures should be balanced with other energy investment to reflect the relative reduction of fossil fuel use achievable in the short and medium term. For this reason we welcome the emphasis on rational energy management amongst the priorities proposed for the 5th Framework Programme.

2.6.8. Another reason for giving added impetus to energy saving is the time that it will still take to make renewable energy cost-effective. Although a number of renewable energy sources are close to the costs of fossil-generated electricity, we must expect fossil fuel generation to become more efficient and so fossil fuel electricity prices will continue to fall. Fossil fuel price reductions are being achieved by technology, new fuels (gas) and organizational cost reduction following the introduction of competition in the supply industry. This will present renewable energy prices with a moving target for some time to come and it may be that the planned R&D programme to improve renewable energy technology will have its work cut out to keep up with improvements in fossil fuel efficiencies.

2.6.9. The green paper does not sufficiently focus on the consumer.

2.6.9.1. In particular where local and potentially non-grid-connected energy sources are concerned, the challenge is to create public awareness of what is possible and public confidence in the reliability and availability of renewable energy. Installing and running domestic roof-top solar PVs, swimming pool heaters etc. should be as straightforward as fitting a domestic refrigerator. Pricing, financing and financial incentives must be sufficient to pull in a first wave of retail customers. The market will grow under its own steam once enough individuals have bought into it. This should happen if renewable energy programmes are focused on domestic and business customers.

2.6.9.2. In the same way that, in a number of EC countries, energy saving agencies have been created to promote energy saving in the market place, so action should be taken to promote demand for renewable energies. We would expect renewable energy agencies to educate the public and also the key intermediary trades and professions such as plumbers, electricians, builders and architects who have such a pivotal role to play.

2.6.9.3. Another way to build demand is through programmes of public procurement.

2.6.10. One final observation on the Commission's thesis is that it does not recognize the problems of scale in renewable energy. As volumes grow, the problems grow exponentially. Examples are the impact of variable electricity volumes on the grid, the impact of intensive

farming of energy crops over vast acreages, and the impact of windfarms on the environment.

3. The Commission's strategy

3.1. Elements of the strategy

The Commission's strategy has four elements:

3.1.1. First, a clear, ambitious and yet realistic targeted increase in the contribution of renewables to the Community energy balance.

3.1.2. Second, it is proposed to strengthen Member State cooperation on renewables.

3.1.3. Third, it is suggested that the Community reinforces its policies affecting development of renewable sources of energy.

3.1.4. The fourth element of the strategy is a proposal for strengthening assessment and monitoring of the progress towards achieving the targets.

3.2. Targets

3.2.1. The Commission believes that a target for the contribution from renewable energy sources can be a good policy tool and can provide a guideline for action. The question arises as to whether a new Community indicative target should be set for 2010, and if so at what level? Some Member States already have their own targets.

It is the opinion of the ESC that an indicative target at the EU level would be helpful.

However, many renewables are an alternative way of generating electricity, which is a form of energy of limited application in transport, especially air transport, and those industrial processes requiring large amounts of high temperature heat. There is therefore an upper limit to the targets which can be set.

While it is possible to derive targets for Member States, this would be meaningless because (a) Member States would not be bound by them; and (b) Member States' renewable energy profiles vary so much.

As explained below, we would advocate the setting of targets for the various renewable energy technologies. This would be meaningful because (a) the progress of each technology, (b) the effectiveness of EU and Member State support, (c) the security of supply, (d) the international competitiveness and (e), where necessary, the

success of technology exports could be measured. The ESC agrees with the Commission that, 'failure to increase the share of renewable energy sources will have negative effects on other important policy objectives, in particular security of supply, economic and social cohesion and economic competitiveness'.

3.2.2. The Commission is seeking views as to whether to set an indicative target for the contribution by renewable sources of energy to gross inland energy consumption beyond the current target for the year 2005, on the assumption that an ambitious but realistic objective for 2010 would provide a useful stimulus for policy and would focus minds of decision makers. It is the opinion of the ESC that such a target would be helpful.

3.2.3. The Commission believes that at this critical stage in the development of renewables, a significant pro-active policy is required to achieve measurable results. A doubling of the share of renewables by 2010, which would mean a contribution of renewable sources of energy in gross inland energy consumption of about 12 % could be an ambitious but realistic objective. This is a minimum requirement if the contribution of nuclear generation declines as expected over the period until 2020.

3.2.3.1. Since the current share of renewables of 6 % includes large scale hydro, for which the potential for further exploitation in the European Union is limited, a doubling of the current level of energy output from other sources would require significant increases in the use of other renewables:

3.2.3.2. Table 1 shows the development of the various technologies within the TERES II Best Practice Scenario. This shows the expected outcome of a scenario based on Best Practice Policies and achieving a 12,51 % penetration of renewables overall.

3.2.3.3. Table 2 compares the extrapolation to 2010 of the current policies scenario with the Best Practice Scenario. In the current policies scenario, Member States would continue their support for renewables at present levels but none of the additional actions envisaged in the green paper would be undertaken. From the two outcomes detailed in Table 2, it is clear that Best Practice would not make a lot of difference to a number of established technologies such as large hydro. Tech-

nologies marked with (*) look as if they would be successful under present policies but more successful under Best Practice. Those technologies marked (**) do not seem to be viable under present policies and need the support of Best Practice to make a sustained breakthrough. The Best Practice outcome in 2020 is also shown because this underlines the further development potential of certain technologies, especially wind, PV, tide, wood crops, solar thermal and ethanol/biodiesel.

3.2.3.4. Technologies without (*) or (**) seem to have reasonable momentum under present policies. While the penetration of these might still be improved, it seems appropriate to focus on the technologies which need Best Practice support. It is also pertinent to note that the 'waste' technologies — landfill gas, municipal waste, industrial waste, agricultural waste and forest residues — are directly affected by existing environmental legislation.

TABLE 1

Best Practice Scenario — TERES II

Year Type of Energy Units	1995		2005		2010	
	Electricity GWh	Heat Ktoe	Electricity GWh	Heat Ktoe	Electricity GWh	Heat Ktoe
Wind	4 169	0	58 549	0	82 366	0
Small Hydro	34 314	0	49 703	0	60 701	0
Large Hydro	273 577	0	278 426	0	280 540	0
Photovoltaic	49	0	7 091	0	12 213	0
Wave	0	0	0	0	0	0
Tide	542	0	542	0	4 883	0
Geothermal Electric	4 405	0	10 850	0	10 850	0
Landfill Gas	1 351	85	9 384	1 812	10 904	2 634
Municipal Waste	7 900	2 580	16 306	3 772	19 231	4 202
Industrial Waste	12 249	7 693	18 185	14 510	19 432	18 535
Agricultural Waste	133	245	452	2 460	500	3 371
Wood Crops	772	546	28 342	20 270	42 939	25 666
Forest Residues	2 753	20 829	3 736	26 214	4 387	27 986
Geothermal Heat	0	628	0	6 633	0	8 111
Solar Thermal	0	287	1 095	3 356	3 504	5 089
Ethanol/Biodiesel	0	168	0	7 496	0	15 001
RET Totals	342 214	33 062	482 662	86 522	552 451	110 596
Units	Ktoe		Ktoe		Ktoe	
RET Primary Energy	73 294		159 508		196 596	
Primary Energy Demand	1 393 860		1 516 895		1 571 250	
% RET Contribution	5,26 %		10,52 %		12,51 %	

3.2.3.5. Achievement of the Commission's proposals for a 12 % penetration target in 2010 clearly depends on the success of leading edge technologies at the country level. Rather than target countries, we would target technologies. As it happens, all the key technologies

identified in Table 2 depend on a small number of countries to achieve their forecast goals. Hence, it would not seem to be unreasonable to identify the countries which are forecast to be the leaders in the key technologies in 2010 as shown in Table 3.

3.2.3.6. In the opinion of the ESC, a 12 % target may be challenging but it is achievable if the growth of the various individual technologies can be successfully encouraged. A further examination of Table 3 would seem to suggest that there is scope to increase the commitment of some Member States to these new technologies e.g. the UK for wind or Greece for solar thermal.

3.2.4. In addition to views on an objective for overall renewable energy penetration, the Commission is

interested in views on the establishment of sub-objectives for the individual renewable sources as well as sub-objectives concerning the contribution of the various sectors, such as electricity and heat production. It should in any case be clear that any eventual proposals for targets would be objectives to be aimed at and not legally enforceable.

In the opinion of the ESC, it would be worthwhile establishing sub-objectives, particularly in view of the points made in point 3.2.3 above.

TABLE 2

Key Technologies — TERES II

Type of Energy	Present Policies 2010		Best Practice 2010		Best Practice 2020	
	Electricity Energy GWh	Heat Ktoe	Electricity Energy GWh	Heat Ktoe	Electricity Energy GWh	Heat Ktoe
Wind**	28 861	0	82 366	0	106 363	0
Small Hydro*	52 957	0	60 701	0	65 418	0
Large Hydro	281 235	0	280 540	0	291 668	0
Photovoltaic**	274	0	12 213	0	32 058	0
Wave	0	0	0	0	0	0
Tide**	542	0	4 883	0	12 183	0
Geothermal Electric	10 844	0	10 850	0	10 850	0
Landfill	10 123	810	10 904	2 634	15 885	3 208
Municipal Waste	18 768	4 110	19 231	4 202	22 989	4 436
Industrial Waste*	15 918	9 166	19 432	18 535	20 746	20 511
Agricultural Waste	413	1 316	500	3 371	658	3 892
Wood Crops**	4 837	7 419	42 939	25 666	52 556	27 202
Forest Residues	3 111	24 703	4 387	27 986	6 014	28 445
Geothermal Heat*	0	- 1 919	0	8 111	0	8 633
Solar Thermal**	0	586	3 504	5 089	10 950	7 417
Ethanol/Biodiesel**	0	1 750	0	15 001	0	22 497
RET Totals	427 902	51 778	552 451	110 396	648 339	126 240
Units	Ktoe		Ktoe		Ktoe	
RET Primary Energy	112 159		196 596		227 228	
Primary Energy Demand	1 571 250		1 571 250		1 637 960	
% Contribution	7,14 %		12,51 %		13,87 %	

TABLE 3

Key Technologies/Lead Countries — TERES II

Technology	2010 Target		Lead Countries ⁽¹⁾	Target Output	
	GWh	Ktoe		GWh	Ktoe
Wind	82 366	0	Germany	21 115	0
			France	18 918	0
			Italy	8 966	0
			Spain	4 813	0
Photovoltaic	12 213	0	France	3 568	0
			Germany	2 747	0
			Austria	1 990	0
			Italy	1 709	0
Tide	4 883	0	UK	3 755	0
			France	1 128	0
Wood Crops	42 939	25 666	Spain	11 088	2 406
			France	10 285	3 341
			Germany	7 866	5 937
			Greece	3 438	478
Solar Thermal	3 504	5 089	Spain	1 807	2 511
			Italy	966	718
			Portugal	548	367
			France	0	739
Ethanol/Biodiesel	0	15 001	France	0	3 669
			Greece	0	2 883
			Italy	0	2 157
			UK	0	2 022
			Spain	0	1 603

(1) No country data has been provided for Sweden.

3.3. *Strengthening cooperation between the Member States*

3.3.1. The Commission believes that achievement of a significant increase in the share of renewables requires the full commitment of Member States at national, regional and local level. The question arises what should be the terms of reference for harmonizing national initiatives.

3.3.2. In the opinion of the ESC, this question is dealt with by the Proposal for a Council Decision concerning the Organization of Cooperation around Agreed Community Energy Objectives. The ESC has presented a separate opinion on this proposal, which is supportive of the Commission's intention.

3.3.3. The ESC emphasizes the need for cross-country cooperation. The main benefits are: (a) the establishment of an EU-wide market for each technology, (b) the harmonization of standards and regulations between both Member States and prospective Member States and, (c) the establishment of common infrastructures e.g. for new fuels and power sources for road transport.

3.4. *Reinforcing Community policies*

3.4.1. *The internal market*

3.4.1.1. The creation of an internal energy market is a key priority of the Community. The Commission has identified a series of measures which may be considered in this context.

3.4.1.2. Renewable energy credits

Consideration could be given to the idea that a certain percentage of a Member State's electricity requirements will have to be met by renewables, enforced on each individual retail electric supplier, with individual obligations tradeable through a system of 'renewable energy credits'.

The ESC believes this proposal has merit so long as each Member State is free to adopt this idea in a way which takes into account its particular circumstances and its own targets for renewables.

3.4.1.3. Internalization of cost and fiscal harmonization

3.4.1.3.1. In the Commission's view, fiscal harmonization can play a major role in ensuring a correct functioning of the internal market and it is of crucial importance for a more rapid introduction of renewables.

3.4.1.3.2. In the opinion of the ESC, it would not be appropriate to increase carbon taxes on transport fuels since the taxation element in fuel pricing is already overwhelming. Indeed the greater the tax element becomes relative to the crude oil price, the greater the risk that producer countries will be motivated to increase prices. Instead we believe that the focus should be on fuel efficiency, alternative power systems and future transport strategies.

3.4.1.3.3. As far as gas and electricity costs for power, heat and light are concerned, there is no need to introduce carbon taxes to support the development of renewable energy technologies. The ESC is in favour of fiscal incentives for producers and/or consumers to promote the wider use of renewable energy. We believe that it would not be necessary to raise taxes on most of the greater part of the energy produced to create the possibility of giving tax breaks to the small percentage of energy coming from renewables. Our analysis of the key technologies in point 3.2.3 above shows that the volumes involved are de minimis for the technologies which need most support. Accordingly, any fiscal incentives or other aids made available for these technologies would not have a material effect on the market as a whole. Again, the cost of such incentives would be small and would not involve large balancing tax increases elsewhere. Furthermore, because general energy tax increases would not be needed, the overall costs to the economy would be controlled. The key new technologies (*and **above) will not in 2010 represent 12 % of all energy used but rather 2 % or 3 %.

3.4.1.3.4. The ESC would also observe that the liberalization of the internal energy market means that it is no longer possible to conceal the true costs of different energy sources. The full external costs of nuclear fuel are being internalized in many countries, because of the need to pay for decommissioning. The implications for renewables of this trend is that the costs of promoting them should not be subsidized in the price of other fuels, but openly supported instead.

3.4.1.4. State aid

In recent years, the Commission has dealt with an increasing number of State aid cases in the field of renewables. As foreseen in the White Paper: An energy policy for the European Union, the Commission will, during the process of revision of the present guidelines, consider whether some adaptation is needed for renewables and their contribution to energy policy objectives.

In the opinion of the ESC, State aids in various forms are acceptable so long as they foster the growth of renewable energy and do not lead to distortions in the renewable energy market itself. For the time being, support to renewables will only create minor distortions in the internal energy market. These will be de minimis and, for the sake of progress on renewables, they should be tolerated. In particular, the Committee would favour incentives to encourage investment in renewable technologies.

3.4.1.5. Standardization

European-wide standards on renewables serve the double purpose of facilitating the introduction of new technologies to the internal market and to boost confidence in these technologies. This second aspect is of particular importance in this instance. Standards concerning renewables are under preparation. In the opinion of the ESC, standardization needs to be moved ahead urgently. The Commission is encouraged to undertake pro-active consultation with the industry. International standards are particularly important for the development of export trade in renewable technologies and the European Union must seize the initiative.

3.4.1.6. Consumer demand

The Commission has identified a series of measures to allow renewable energy sources to play an appropriate role in the internal energy market. The Committee is broadly supportive of these measures. They are mainly producer oriented. It is the ESC's opinion that the green paper does not pay sufficient attention to the consumer.

We recommend that Member States either establish or reinforce consumer agencies and facilitate consumer investment in renewable energy (see point 2.6.9 above).

Public utilities have an important part to play both in encouraging rational energy use as well as developing and acquiring renewable energy supplies. Public procurement also has a contribution to make.

3.4.2. Financial support for actions for the promotion of renewables

3.4.2.1. With a view specifically to promote renewable sources of energy the Council in 1993 adopted the Altener programme. An independent evaluation concludes that the programme is funded at too low a level to meet Community objectives for renewable energy development. Accordingly the Commission proposes the adoption of Altener II for the further promotion of renewable energy sources.

3.4.2.2. Strengthened actions under Altener II could create a competitive market for the renewables industry and thereby reduce costs and create jobs in the sector. The TERES II Report has underlined the need for further technological development if renewables are to achieve significant market penetration. Action at Community level would be targeted at certain well-defined areas such as photovoltaic roofs and cladding, solar thermal heating for sport, tourism and health facilities, active and passive solar architecture, production of bio-methane from municipal biodegradable solid waste, stand-alone facilities etc. with the Community support as low as possible to avoid market distortion and calculated to take into account the external cost avoided.

The ESC will give its opinion on the Altener II programme in due course and would expect it to be supportive.

3.4.2.3. It is proposed that renewable projects should benefit more from funding by the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and other international financial institutions.

In addition to this proposal which the ESC supports, there are opportunities for public and private partnerships, and private finance in public procurement which the Commission should pursue.

There is also a need for export finance to be made available for renewable equipment and systems which are manufactured in EU Member States (see point 3.4.6 below).

3.4.3. Research, development and demonstration (RD & D)

The Joule-Thermie programme, which covers both traditional R&D and demonstration in the field of non-nuclear energy, intends to devote a significant part of its budget i.e. 45 % to support activities aimed at developing and promoting renewables. The ESC notes this commitment and would like to see more renewable equipment and systems manufactured in Member States rather than imported.

3.4.3.1. The FAIR programme indicates that non-food development of agriculture and forestry biomass have a part to play in the development of rural areas.

Given the targets of Altener I for a 5 % penetration of biofuels in transport by the year 2005 and the green paper's 12 % target, it is likely that 15-20 million hectares of agricultural land will be needed to produce energy crops.

3.4.3.2. There are large differences in the commitment of Member States to the support of technological development of renewable sources of energy. It is proposed that the Community programmes in this area are reinforced. It is, as part of the strategy, important to establish clear objectives for the 5th framework programme.

3.4.3.2.1. In the communication from the Commission 'Inventing Tomorrow'⁽¹⁾ which is a forerunner for the 5th Framework Programme for Research and Technological Development, one of the proposed priority topics in point III.1.1 is the promotion of competitive and sustainable growth. This includes the following proposal:

'In the energy domain, priority should be given to the development and demonstration of safe, acceptable energy systems which comply with standards and environmental constraints and are competitive in terms of production costs and the global economy. Research might also cover the rational management of energy in everyday life, as well as the various options as regards the production and storage of energy with a view to the medium and long term.'

3.4.3.2.2. The ESC believes that energy efficiency and renewable energy sources must be priorities for the 5th

⁽¹⁾ COM (96) 332 final.

Framework Programme. It is important to focus on consumer incentives for energy efficiency and installation of renewable energy systems.

3.4.3.2.3. The ESC does not believe that the EU can be a world leader in renewable energy technologies unless a strong support policy is developed. It believes that an EU renewable energy laboratory or agency should be formed along the lines of the USA's National Renewable Energy Laboratory, and of the EU Environment Agency.

3.4.3.3. The ESC expects that telematic applications and services be developed alongside the development of renewable energy technologies. We would be surprised if separate RD&D projects were needed in the area of Information Society Applications separately from the development of renewable energy technologies and industries.

3.4.3.4. The Commission will reconsider the funding allocated for research in the various energy sectors, including the current breakdown of funding between nuclear and non-nuclear research.

In the opinion of the ESC it could be a strategic mistake to downgrade research into nuclear energy. As things stand at the moment, nuclear power will be phased out when existing installations reach the end of their useful life because there is no commitment to replacement capacity in most countries. In the longer term, therefore, it is perfectly possible that the Member States will opt to continue to make use of nuclear energy for peaceful purposes or, at a later date, to bring into operation a new generation of nuclear reactors. For this reason, R&D work to improve the safety and efficiency of nuclear technologies must be maintained.

3.4.3.5. While recognizing the research work which is essential for the development of technologically less mature renewables, the Commission is convinced that the key to more market penetration lies in the market introduction phase. In the opinion of the ESC, this is a most important issue. The Commission should give consideration to ways in which 'green' consumer demand for renewable energy at an affordable price can be encouraged.

3.4.4. Regional policy

3.4.4.1. There is no doubt that renewable sources of energy have great economic and social potential in

remote regions and islands. This is particularly true where national grid connection is neither economic nor feasible. Successful introduction of renewable energy requires regional development policies to include renewable energy projects and that competent agencies be available to take charge of the activity. These activities include both the organization of local generation and grid distribution and the installation of stand-alone equipment. Public utilities would be best equipped to perform these tasks.

3.4.4.2. SMEs on the equipment side of the renewable energy industry have the same problems as SMEs in other technology-based industries. Since the green paper has shown that the key technologies will have difficulty in making a breakthrough under 'Present Policies', these firms depend on a 'Best Practice' environment to thrive.

3.4.4.3. While in general there is no shortage of venture capital for high technology companies, investors need to know that there is an assured market for all renewable energy technologies. Member State governments' intentions must be made clear to the investment community.

3.4.4.4. Since so much needs to be done to create favourable market conditions for the new energy technologies, it is important for sectoral trade associations to be well-financed and well-staffed to participate in the public debate. The industries represented by these associations are small and immature and there is scope for public support.

3.4.4.5. Since tourism involves seasonal peak loads and demand in remote regions, there are significant opportunities for renewable energy. The more remote regional aspect has already been discussed in point 3.4.4.1 above. The peak load aspect provides a classic opportunity for rational planning by public utilities. It ought to be possible in many tourist centres to use renewable energy to obviate the need for new base load fossil fuel generation capacity. The renewable energy opportunities which public utilities would need to pursue include both grid-connected and autonomous installations.

3.4.5. Agriculture and forestry

3.4.5.1. In the agriculture and forestry sectors, the production of energy crops represents a considerable potential for additional income for farmers and for the reduction of CO₂ emissions as a result of crop growth.

This also represents additional employment possibilities in rural areas.

3.4.5.2. The agricultural sector will make a major contribution towards meeting the 12 % target. Production of crops which can serve energy purposes as whole-crop or as a part of a crop will be necessary to fulfil the renewable energy and carbon emission abatement targets. Specific programmes to stimulate energy production from agricultural land will influence

the economy of rural areas in the EU in a positive way and generate new jobs in agriculture, transport and affiliated industries.

3.4.5.3. The ESC would point out that arable products may consist of three principal components: food (starch, protein and sugar), feed (protein, fibre) and components which cannot be used for either food or feed (straw). Some agricultural products serve only as animal feed, such as grass and feed maize. Other agricultural products are not used as either food or feed e.g. cotton and hemp.

General Classification of Annual Arable Products

Category	A	B	C
Component	1. food 2. feed 3. non-food/feed	feed	non-food/feed

The food components are used as bio-fuels in road transport i.e. A (1) products. It is generally the non-food feed components A (3) that are used in electricity/heat and power stations although there is potential to use category C products.

3.4.5.4. There is no strategy for energy crop production. The willingness of farmers to invest in energy crop production will be related to (a) the price they can obtain for food crops, (b) the 'set aside' remuneration and (c) the price they can obtain for energy crops.

3.4.5.5. On the basis of the table in point 3.4.5.3 above, it is clear that strategy development for the agricultural sector should be related to the distinction between transport fuels and electricity/heat generation. The latter should be perfectly manageable. There is scope for steady growth. In the area of transport fuels there is likely to be conflict with food and feed priorities. Variances in the food/feed market caused by the vagaries of world-wide agricultural production could make the long term planning for bio-fuel production extremely difficult.

3.4.5.6. The ESC believes that an urgent area for R,D& D is energy application from the food, feed and cellulose components of agricultural crops. A strategy should be developed which encompasses future energy,

food and feed demands and the need to maintain optimal flexibility in the agricultural sector and the whole agricultural industry.

3.4.5.7. Biofuels depend on food and feed crops to permit long term planning for biofuels, it will be necessary to dedicate agricultural land for this purpose and to create an appropriate financial framework. Wood crops will require intensive cultivation to achieve conversion goals. There may be resistance to converting historic woodlands and forests for wood crops and agricultural land will already be under pressure from the dual claims of food and biofuels.

3.4.5.8. The Committee takes the view that guaranteed subsidies for energy crop production on land used for cultivating foodstuffs (under set-aside programmes) are only worthwhile if suitable supporting measures are introduced to ensure that this does not lead to the establishment of enterprises which are not competitive from the outset and are no longer economically viable once the subsidies cease.

3.4.6. External relations policy

3.4.6.1. The ESC is of the opinion that EU external relations policy has a huge part to play in both encouraging the development of an indigenous renewable energies industry and the amelioration of the environmental crisis which is otherwise expected to be provoked in due course by third world energy policies. Accordingly the ESC feels that the Commission should give renewable energy matters a much higher priority in its external negotiations.

3.4.6.2. Because certain regions of central and eastern Europe are well endowed with renewable sources and in view of the fact that renewables, especially in rural areas, can strengthen regional development, the Commission recognizes that renewable sources of energy require increased attention in EU relations with these countries.

The ESC feels that, with the enlargement of the EU towards the east in prospect, the Commission should also focus heavily on the opportunities in the east for rational planning and higher energy intensity.

3.4.6.3. In the process of establishing a framework for cooperation between EU and non-EU Mediterranean countries, there is a case for assessing the contribution that renewables can make to the energy needs of the region. The potential, especially for wind and solar, is not currently exploited to the maximum.

There is a case for more coordination, demonstration and publicity to develop the potential for renewable energy sources in EU and non-EU Mediterranean countries. Such a marketing drive could be coordinated by a EU Renewable Energy Agency (see point 3.4.3.3.2 above). The advantages would be to promote technology exchange and to develop business opportunities.

3.4.6.4. In developing countries, renewables can play a key role in accelerating economic and sustainable growth. Renewable energy technologies are well suited in remote areas of developing countries which are often not connected to the grid. Some of these have a potential for tourism and the potential for 'green' tourism is to be encouraged. Furthermore the meteorological conditions in many developing countries favour renewable sources of energy, in particular, solar energy applications.

These opportunities are important for the European renewable energy industry. The geography of the European Union represents a finite limit to the business opportunities for renewable energy companies in Member State markets. For these companies to flourish, it is essential that the Commission is energetic in creating commercial opportunities overseas. Export credits are just one of the available instruments.

3.4.6.5. In the future, increased energy consumption in the developing countries will be a major factor accounting for the deterioration of the global atmospheric condition. The use of renewable energy technologies could reduce these adverse effects.

Renewables represent a vast potential for economic cooperation of mutual interest to the EU and to third countries. The EU can gain direct and indirect commer-

cial benefits and the third world countries can benefit from accelerated sustainable development. A clearly defined and ambitious renewable energy strategy will be indispensable and allow the EU industry to compete successfully in the global marketplace.

3.4.6.6. Given the small markets available in the EU for the advanced technology energy sources, it is essential to develop overseas markets in parallel with the internal market. For this and other reasons mentioned above, the promotion of EU energy technology exports should have the highest priority in commercial policy.

The ESC believes that this strategy should be a major element in the white paper which will follow this period of consultation.

3.5. *Assessment and monitoring*

3.5.1. The Commission suggests that it improves the coordination and data collection already established by the Community's statistical authorities (Eurostat). One proposal is that the Commission explores the possibility of creating a database to register:

- more detailed basic statistics on renewable energy, including those obtained from field studies and quantitative monitoring;
- progress made towards Community strategy and objectives;
- Community support given to renewables;
- actions undertaken at national level in addition to the notifications made to the Commission under State aid rules;
- policies affecting renewables, and,
- progress towards increasing the share of renewables.

3.5.2. Because the ESC supports the Commission's proposal for targets and objectives it supports the Commission's proposal for assessment and monitoring.

4. **Summary and Conclusion**

4.1. *Summary*

4.1.1. The Economic and Social Committee recommends support for renewable energies as a means of ensuring sustainable development.

4.1.2. Programmes to support exports of renewable technologies are vital if Europe is to retain its leading position.

4.1.3. Most of the measures proposed in the green paper can be justified to improve the penetration of renewable technologies in the near term and up until the mid-21st century.

4.1.4. An environmental balance sheet must be drawn up for each renewable energy technology to evaluate its environmental impacts.

4.1.5. A general tax increase on conventional sources of energy is not needed.

4.1.6. Financial incentives are needed to accelerate the penetration of renewables, with coordination within the Union so that stable and predictable market conditions are created for energy product and service companies, their investors and customers.

4.1.7. Attention should be given to the technical and economic problems posed by connection to centralized electricity grids of high and variable volumes of renewable energy. In particular, the development of storage technology is critical.

4.1.8. Priority should be given to promoting the market for renewables in developing countries.

4.1.9. In the short to medium term, a parallel aim should be to promote energy efficiency, which should be a priority for the 5th Framework Programme.

4.1.10. There is a need for an R&D programme planned to improve the efficiency and price of renewable energy technology because we expect fossil fuel prices will continue to fall due to advances in technology, new fuels (gas) and organizational cost reduction following the introduction of competition in the supply industry.

4.1.11. Action should be taken to promote consumer demand for renewable energies including establishment of renewable energy agencies to educate the public and the key intermediary trades and professions such as plumbers, electricians, builders and architects.

4.1.12. Policy should recognize that public utilities have an important part to play both in encouraging rational energy use as well as developing and acquiring renewable energy supplies.

4.1.13. Programmes of public procurement should be used to promote demand for renewable energy.

4.1.14. An indicative EU target of about 12 % for the contribution by renewable sources to gross inland energy consumption should be set.

4.1.15. We advocate the setting of sub-targets for the various renewable energy technologies.

4.1.16. The achievement of a significant increase in the share of renewables requires the full commitment of Member States at national, regional and local level.

4.1.17. Renewable energy credits: a certain percentage of a Member State's electricity requirements could be met by renewables, via tradeable targets for each retail electricity supplier. Member States should be free to adopt this proposal according to their particular circumstances.

4.1.18. Internalization of cost and fiscal harmonization: it would not be appropriate to increase carbon taxes on transport fuels since the taxation element in fuel pricing is already overwhelming and taxes are a matter for subsidiarity. The focus should be on fuel efficiency, alternative power systems and future transport strategies.

4.1.19. Fiscal incentives: the ESC is in favour of fiscal incentives for producers and/or consumer, until the key technologies have achieved the necessary momentum.

4.1.20. State aid: should not lead to distortions in the renewable energy market but is otherwise accepted as necessary.

4.1.21. Standardization: needs to be moved ahead urgently to ensure quality and reliability. The Commission is encouraged to undertake pro-active consultation with the industry.

4.1.22. There is a need to promote further technological development if renewables are to achieve significant market penetration.

4.1.23. Renewable projects should benefit from funding from the European Investment Bank (EIB), the European Bank for Reconstruction and Development

(EBRD) and other international financial institutions. There are opportunities for public/private partnerships, and private finance in public procurement.

4.1.24. There is a need for export finance.

4.1.25. The ESC notes the commitment of the Joule-Thermie programme to devote 45 % of its budget to support and promote renewables. Where possible, EU technology should be supported.

4.1.26. Any strategy must establish clear energy objectives for the 5th Framework Programme.

4.1.27. An EU renewable energy laboratory, institution or agency should be formed along the lines of the USA's National Renewable Energy Laboratory and of the EU Environment Agency.

4.1.28. The ESC would expect that telematic applications and services be developed alongside the development of renewable energy technologies.

4.1.29. Successful introduction of renewable energy requires regional development policies and direction from competent regional agencies.

4.1.30. Since investors need to know that there is an assured market for all renewable energy technologies, Member State governments' intentions over the medium term must be made clear to the investment community.

4.1.31. There is scope for public support for sectoral trade associations.

4.1.32. Incentives should be given to encourage provision of non-base load capacity provided by renewable energy to supply peak loads in tourism and remote regions.

4.1.33. Incentives should be given to programmes to stimulate energy crops from agricultural land which will influence the economy of rural areas in the EU in a positive way and generate new jobs in agriculture, transport and affiliated industries.

4.1.34. Strategy development for the agricultural sector should be related to the distinction between transport fuels and electricity/heat generation.

4.1.35. An urgent area for RD& D is energy generation from the food, feed and cellulose components of agricultural crops.

4.1.36. The interface with the Common Agricultural Policy in this area should be examined since the impact of intensive energy crop cultivation will be profound.

4.1.37. The Commission should give renewable energy matters a much higher priority in its external relations negotiations to offset the potential environmental crisis which is expected to be provoked by the escalation of third world energy demand.

4.1.38. Development of renewable sources of energy in central and eastern Europe require increased attention in the EU's relations with these countries, complementing the action of the Phare and Tacis programmes.

4.1.39. The EU should focus heavily on the opportunities in the Middle and Far East for rational planning and higher energy intensity.

4.1.40. A framework for cooperation between EU and non-EU Mediterranean countries on renewable energy should be developed, completing the action of the MEDA programme.

4.1.41. EU renewable energy technology exports should have the highest priority in commercial policy.

4.1.42. The ESC supports the Commission's proposals for assessment and monitoring of the renewable energy sector.

4.1.43. The Commission must recognize that the inherent problems of many renewable technologies increase exponentially with scale.

4.2. Conclusion

It is clear that there are only two non-fossil fuel alternatives at present which can help EU Member States to achieve their international obligations on CO₂ emissions and sustainable development; these are nuclear power and renewable energy technologies. Since nuclear generating capacity in the EU is likely to decline during the first two decades of the 21st century, it is important that the use of renewables advances. It does not seem possible that renewable energy technologies could replace nuclear capacity in this time scale, because the potential of these technologies is restricted and because there are important limitations when use of these technologies is significantly scaled up. Nevertheless, everything that can be done should be done, both for energy supply within present and prospective EU

Member States and for the development of renewable technology exports.

The Commission's Green Paper on Renewable Energy Sources has provided a valuable stimulus to a necessary debate. The ESC is pleased to have made its contribution

and hopes to see its views reflected in the white paper. What is certain is that 'Present Policies' are not sufficient to promote these important technologies. We hope that a version of 'Best Practice Policies' will be defined in the white paper and that it will, in turn, be accepted by the Member States.

Brussels, 24 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Directive on the control of *Pseudomonas solanacearum* (Smith) Smith' ⁽¹⁾

(97/C 206/10)

On 14 February 1997 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 April 1997. The rapporteur was Mr Stokkers.

At its 345th plenary session (meeting of 23 April 1997) the Economic and Social Committee adopted the following opinion with 125 votes in favour and five abstentions.

1. Introduction

1.1. The Commission proposal specifies the measures to be taken by the Member States to combat the bacterial pathogen *Pseudomonas solanacearum* (Smith) Smith, which is the cause of potato brown rot and bacterial wilt in tomatoes. The aim is to locate the pathogen, prevent its occurrence and spread, and take the measures required to eradicate it.

1.2. The pathogen was known until fairly recently to cause problems in areas with a warm temperature. In the 1990s, however, there have been outbreaks of potato brown rot in various northern as well as southern Member States and these outbreaks have caused extensive rotting of potato tubers.

1.3. The Commission proposal makes provision for measures to combat this dangerous bacterium systematically throughout the Community. The measures will

cover official laboratory testing for detecting the presence of the organism and rules governing inspection, sampling and testing procedures. The testing must encompass not only potatoes and tomatoes but also other host plants, surface water used for the irrigation and spraying of plants, and liquid waste discharges from firms which handle potatoes and tomatoes.

1.4. The proposal is based on Article 43 of the Treaty establishing the European Community.

2. General comments

2.1. The bacterium, which causes potato brown rot and bacterial wilt in tomatoes, presents a real threat to these crops in the Community. Protective measures have been laid down in Council Directive 77/93/EEC to stop this harmful organism entering the Community and

⁽¹⁾ OJ No C 124, 21. 4. 1997, p. 12.

spreading. However, nothing has been done so far to ensure, in the event of the pathogen occurring in one or the other Member State, that the bacterium is combated everywhere in the same manner and prevented from spreading.

2.1.1. This is an unsatisfactory situation and a serious shortcoming in an area where there are no internal borders. The aim of the proposal is to remedy this shortcoming. The Committee thinks that the proposed approach serves this objective adequately, and therefore endorses the Commission proposal subject to the following comments.

2.2. Not enough is known at present about the biology and epidemiology of the organism. The Commission therefore provides for the adjustment of the proposed measures after a number of years in the light of further knowledge and experience. It proposes that the measures can be amended under Article 16(1) of Directive 77/93/EEC on the basis of scientific or technical knowledge and after consulting the Standing Committee on Plant Health.

2.3. This, too, is approved by the Committee.

2.4. The Committee is aware that if the organism is to be properly combated, it is necessary to strictly monitor all material in which it may be located and which can help it spread. Despite this, the Committee thinks that it is necessary to make allowance in practice for the fact that in recent years the pathogen has occurred more frequently and caused more problems in potatoes than in tomatoes.

3. Specific comments

3.1. Article 7

3.1.1. The Committee thinks it is important that, when seed potatoes are tested, plants obtained by clonal propagation and in-vitro propagation are to be treated equally.

3.2. The Committee has no comments to make on Article 4(3) of Annex VI.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) amending Regulation (EEC) No 1765/92 establishing a support system for producers of certain arable crops'⁽¹⁾

(97/C 206/11)

On 2 April 1997 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Economic and Social Committee decided to appoint Mr Bento Gonçalves as rapporteur-general for its opinion.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 77 votes to one, with four abstentions.

1. The Commission proposal

1.1. The purpose of the proposal is to extend, from 31 December to 31 March, the deadline for payment of compensation to farmers who use set-aside land to grow products not destined for human or animal consumption.

1.2. The compensation is thus to be paid between 16 October and 31 March of the following year.

1.3. The Commission justifies the proposal on the grounds that the grower cannot be repaid until the delivery of the product to the processor has been confirmed.

2. Conclusion

2.1. The Committee approves the proposal.

⁽¹⁾ OJ No C 106, 4. 4. 1997, p. 13.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) laying down general rules for the application of measures to improve the production and marketing of honey'⁽¹⁾

(97/C 206/12)

On 27 January 1997, the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 April 1997. The rapporteur was Mr Zarkinos.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 71 votes to 17, with 11 abstentions.

1. Introduction

1.1. The Commission proposal is a follow-up to the 1994 communication (COM(94) 256 final) on beekeeping in Europe. The proposal's aim is to use Community funds of ECU 15 000 000 per year to promote national programmes which will include technical support, laboratory analysis and measures to combat the diseases which affect bees and, national studies on the structure of the sector as regards both production and marketing.

In the Committee's view the Commission proposal is positive, marks a step in the right direction and should be supported, because it will contribute to the development of beekeeping in Europe.

1.2. The priority actions in the proposal focus mainly on the following:

- improving the conditions for the production and extraction of honey by providing technical assistance to beekeepers and producers' organizations;
- rationalization of transhumance (seasonal migration of bees);
- control of varroasis and related diseases of bees, improvement of the conditions for the treatment of hives and the harvesting, storage and packaging of honey;
- measures to support national laboratories carrying out analyses on the physical/chemical properties of honey;
- cooperation with specialized bodies on the implementation of applied research programmes to improve the quality of honey.

2. General comments

2.1. The activity of beekeeping is indissolubly bound up with agricultural production (as a branch of animal production); its main functions are economic activity

and agricultural development, the production of honey and other beekeeping products, and its contribution to the ecological balance, the quality of the natural environment and of agricultural eco-systems.

2.2. The total number of beehives in the European Union is about 7,5 million, maintained by about 435 000 beekeepers. Only 3,1 % of these, i.e. about 13 000 people, are professional beekeepers. According to estimates by the sector's professional organizations, professional beekeepers maintain 3,5 million hives (42 % of the total) and account for 45 % of total honey production in the European Union.

2.3. Although the third largest producer on a world scale (after the countries of the former Soviet Union and Asia), the European Union continues to have a 50 % deficit in the basic beekeeping product, namely honey. Constantly increasing demand is met with imports, mainly from China, Argentina, Mexico, Hungary and Australia.

2.4. In the Committee's view the Commission proposal should also concern itself with the movement of honey in the Community market. The greater pressures on beekeeping in the European Union at present arise from the substantial imports of honey of unchecked quality from third countries (mainly from China). Consequently, to improve consumer protection the Commission should lay down quality standards for honey produced in the European Union.

2.5. The Committee, recognizing the contribution which bees make to the ecological balance, takes the view that the beekeeping sector requires greater support and protection, and regards the resources allocated to the sector as insufficient. However, it believes that the Commission proposal is a step in the right direction even if the measures envisaged might be indicative rather than exhaustive. In any case it is positive, if the measures laid down in the proposal constitute a start to support for the sector and not the conclusion of this effort.

⁽¹⁾ OJ No C 378, 13. 12. 1996, p. 20.

2.6. The Committee feels that the proposal should provide for the establishment of a token subsidy per hive, which would be granted to both professional and non-professional beekeepers. This subsidy would be granted both for ecological reasons (maintaining enough bees to ensure pollination of the flora) and for the economic reasons (additional expenditure on feeding bees in winter).

It is pointed out that a similar proposal was made by the European Parliament in its report of December 1994.

2.7. Given that beekeepers can be covered also by various other regulations, Community initiatives and specific programmes (e.g. Regulation 2328/91, Regulation 866/90, Regulation 1360/78, the Leader programme, etc.), the system of co-financing action is acceptable, and the Committee expresses the hope that all the Member States, in cooperation with beekeepers' professional organizations, will respond positively to the Commission's call.

2.8. The Committee takes the view that greater flexibility is needed to ensure the effectiveness of the programmes planned under the priority activities — to

be submitted by the Member States and approved by the Commission — taking the principle of subsidiarity into account.

2.9. In order to raise awareness — particularly among young people — and interest in the occupation of beekeeping, the Committee considers that the proposal must also include vocational training programmes for new farmers among the priority aims.

3. Specific comments

3.1. To ensure better consumer protection, the term 'natural honey' in Article 1 of the draft regulation needs to be further clarified. The term 'natural honey', as stated also in Annex II to the Treaty of Rome, denotes honey produced by bees, and not any other kinds of blended substance.

3.2. In the Committee's view it is wrong to restrict the measure on combating diseases to varroasis and related diseases. There are other serious diseases which afflict bees (e.g. foulbrood, chalkbrood, nosema disease). In practical terms it is essential to provide for action to be taken against these diseases also.

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

APPENDIX

to the opinion of the Economic and Social Committee

The following amendment, tabled in accordance with the Rules of Procedure, was rejected in the course of the discussion:

Point 2.4

Delete last two sentences and replace by:

'To ensure the highest standards of consumer protection, all honey must comply with the quality criteria specified in the various EU directives and regulations and these must be rigorously checked and enforced.'

Reason

1. Quality standards already exist and are being updated by COM(95) 722 final on which the Committee recently gave its opinion, CES 1259/96.
2. Procedures for checking and enforcing quality standards are already covered by Directives 89/397 and 93/99 EEC. It is only necessary to apply these. The present proposal also provides for support of analytical laboratories where this is needed.
3. Differential control measures specifically directed against importing countries are illegal under the GATT/WTO.

Result of the vote

For: 42, against: 51, abstentions: 7.

Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Decision establishing an action programme to improve awareness of Community law for the legal professions (Robert Schuman Project)'⁽¹⁾

(97/C 206/13)

On 13 February 1997 the Council decided to consult the Economic and Social Committee, under Article 100a of the Treaty establishing the European Community on the above-mentioned proposal.

The Section for Social, Family, Educational and Cultural Affairs, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 April 1997. The rapporteur was Mr Cavaleiro Brandão.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 123 vote to one, with six abstentions.

1. Introduction

1.1. The European Community is first and foremost a 'Community of law'. It is therefore vital that its legal provisions are accessible and familiar, and that they are applied in an effective and uniform manner.

1.2. The Sutherland report on the internal market after 1992 — meeting the challenge, submitted to the Commission in 1992, stressed that Community law must be understood and applied in the same way as national law.

1.3. Thirteen of the report's conclusions (numbers 18 to 30) concerned the need to remove doubts about Community law. The report also pointed out that many financial and human resources would be needed, and that 'more effort needs to be made to improve knowledge of Community law on the part of lawyers and judges in the Member States' (conclusion 24); this is a precondition both for proper implementation of Community law and for checks on that implementation.

1.4. The ESC opinion on the Sutherland report attached particular importance to the report's concern for the implementation of Community law.

1.5. The public will not have confidence in the EU integration process and be able to identify with it until they feel, amongst other things, that they can assert the rights and rules established by the EU to benefit and protect them. And they will never feel that they can assert these rights while they rightly feel that national

judges and lawyers are still not properly at home with Community law — or in other words, until these judges and lawyers have been trained to apply Community law as a matter of course.

1.6. There is a widespread feeling that legal practitioners have not yet acquired a sufficient 'Community law culture'. And there is no guarantee that the national courts currently play their proper role in intra-EU legal relations and, in particular, in the relations generated by the single market.

1.7. The present opinion confines itself to the proposal. However, the Committee recognizes that the gravity of the problem in general — which concerns not only judges and lawyers but also other sectors of the legal profession — could justify broader and deeper consideration at some future time.

2. General comments

2.1. For the reasons mentioned above, the Robert Schuman project is particularly apposite, despite the modest funding envisaged. It seeks to make the 100 000 or so judges and 450 000 lawyers in the Community realize the importance of their role in ensuring the application of Community law, providing them with additional specific resources to help them play their role to the full.

2.2. The project is designed to encourage initiatives launched in the Member States. Temporary financial support may be given to training institutions for legal practitioners who participate directly in the work of the courts, with due respect for Article 127 of the EC

⁽¹⁾ OJ No C 378, 13. 12. 1996, p. 17.

Treaty which leaves responsibility for the content and organization of vocational training to the Member States.

2.3. The Commission states that a limited number of pilot projects were launched on an experimental basis in 1996. However, the results of these pilot projects are not yet available.

2.4. The proposed decision is based on Article 100a of the EC Treaty, on the grounds that the approximation of national legislation concerning the establishment and operation of the single market presupposes the effective, uniform and decentralized application of Community law.

2.5. The Committee supports the proposal.

3. Specific comments

3.1. The project solely concerns judges and lawyers, and excludes all other members of the legal profession.

As the Member States have different concepts of the term 'judge and lawyer', each should use its own concept.

The Committee nevertheless stresses the considerable importance of legal practitioners within companies, organizations and associations as regards day-to-day experience and practical application of Community law. In this context, the Commission proposal already states that 'the possibility of extending the scope of the project could be envisaged in connection with the assessment and monitoring arrangements referred to in Article 9'. The Committee hopes that when the time comes, such an extension will indeed be considered.

Nonetheless, the Commission's justification for initially restricting the proposal to judges and lawyers is sound. Firstly, it is necessary to set clearly delimited objectives and concentrate the modest resources available in order to ensure the effectiveness of the scheme. Secondly, the real objective of the scheme is to improve the practical enforcement of Community law by the courts, and this depends on judges and lawyers, and only very indirectly on other legal practitioners.

3.2. Article 2 sets out the objectives of the planned support programme, which is designed to encourage training, information and accompanying initiatives that will improve awareness of Community law among judges and lawyers.

3.3. Article 4 lays down the conditions governing eligibility for support. The eligible candidates include institutions responsible for the initial training of future judges or lawyers.

This suggests that the scheme will also cover future judges and lawyers, although Article 1 specifically refers only to 'judges and lawyers'.

This point needs clarification as it is of more than secondary importance.

There are arguments both for and against the inclusion of 'future' judges and lawyers.

On the minus side, their inclusion would considerably extend the scope of the scheme and thus diminish its impact and effectiveness.

Furthermore, universities and other specialist institutions providing basic training for future judges and lawyers are generally already well aware of the objectives of the scheme, although it is hoped they will be provided with more effective means for pursuing these objectives.

Also, it is the older and more senior judges and lawyers who have proved less willing and able to assimilate Community law.

It might therefore be best to make them the priority target of the scheme.

3.4. Article 5 lists the project selection criteria; these include the inter-professional and cross-border dimension of measures as optional criteria.

The first of these optional criteria is of particular importance.

Indeed, the Committee would argue that priority should be accorded to measures which bring judges and lawyers together.

It would seem from past experience that difficulties in the relations between judges and lawyers might have aggravated the problems regarding full application of Community law.

Moreover, sociological studies in some Member States have concluded that difficulties in these relations are due to the quite separate character of the further training received by judges and lawyers respectively.

3.5. The Commission's proposed date of entry into force (1 January 1997) has already passed. It is unlikely

that the scheme will enter into force before 1 January 1998.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the 'Communication from the Commission to the European Parliament and the Council on the impact and effectiveness of the single market'

(97/C 206/14)

On 21 April 1995 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned communication.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 April 1997. The rapporteur was Mr Pasotti.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 59 votes to eight, with seven abstentions.

1. Introduction

1.1. This Commission document is the result of an extremely large-scale study of the workings of the single market. An idea of the scale of the project can be gleaned from Appendix 1 of the communication, which lists the sources of information used.

The chapters of the report consider the different aspects of the SMP (single market programme), and take stock of the progress to date in 'political' terms.

As in any digest (but more so here, in view of the Commission's chosen approach) the communication refers to the main findings of theoretical studies. The Committee hopes that the analytical work on which they are based will be given a wider airing, particularly to elucidate the more 'technical' sections of the document.

1.2. In the summary the Commission finds it necessary to present a brief outline of the results of the SMP. The Committee feels that the effort being put into

securing a consensus among all Europe's citizens on the single market is extremely important; it was unfortunate that in presenting figures on the economic effects of the single market in terms of growth, jobs created and inflation, the Commission's rigorous supporting evidence was not available at the same time. As a result, the political impact of the document may have been lessened.

1.3. On unemployment in particular, the figures presented show the continuing gravity of the situation. It is however worth noting that the Commission's confidence pact on action for employment in Europe has shown that the single market is a necessary but not a sufficient condition for sustainable growth and the creation of new jobs. Although employment may be considered as a basic objective of the European integration process, the complexity of its relationship with the single market programme is such that a rigid causal relationship should not be deduced, particularly as this would obscure the need to create a complementary relationship between the SMP and other EU policies.

2. The Committee's approach

2.1. The Committee's contribution to the Commission's work will inevitably focus on the views of those involved in the market, be it as workers, consumers or producers of goods or services. (For brevity they will be referred to hereafter as 'players'.)

In this context the difficult economic circumstances and industry's structural adjustments of recent years have probably limited the positive effects, thus influencing assessments of the measures already taken, but considerable progress has been made.

2.2. When framing and implementing economic policies, ongoing monitoring of measures as they are undertaken is needed in order to identify critical factors. This is particularly true at Community level, because of the complexity of the relationships between the parties involved, the profound differences between countries, and particularly in this instance because of the wide field of application and time scale. For the ideas behind the Commission document to retain political credibility under these circumstances, the underlying technical analysis must be absolutely reliable.

2.3. In order to back up the analytical studies and the verification undertaken by the Commission, the Committee considered it worth gleaning independent views of the progress made towards completing the single market by holding a hearing of the players involved. The methodology used for such a hearing allows accurate comparisons with the similar hearing held by the Committee in 1994, and together they provide an analysis of the progress of the single market in an area in which the Committee has direct competence.

2.4. The hearing also serves as a forum for assessing the qualitative impact of the single market process (on quality of life, the weakest members of society, environmental protection), complementing the quantitative approach taken in the Commission document.

2.5. The Committee's opinion is divided into two parts:

- An assessment of various critical elements of the SMP;
- A summary of the findings of the hearing on the impact on the categories involved.

3. General comments

3.1. A cultural leap forward

3.1.1. Firstly it must be underlined how the players' attitudes have changed: we now feel more like citizens of Europe, and the single market has been a factor in

that. Its effects on products, guarantees, regulations and production methods mean that it has a daily influence on our lives to a degree which is, perhaps, inadequately conveyed by the Commission document.

3.1.2. Although it is clear that the old 'physical' customs barriers have today been replaced by 'virtual' barriers formed by constraints and technical standards, it is no less true that single market 'citizenship', once attained, makes it much easier to travel, sell, buy and live than when there were customs posts at every border.

3.1.3. A variety of factors – including public standards, economic policies, and increasing competition – are helping to produce an environment in which the players' various abilities can be put to fuller use on a level playing-field. Protected markets are crumbling, opportunities for market-oriented businesses are expanding, monopolistic agreements are being elbowed out.

3.1.4. The players involved in the internationalization process now think in terms of the single market. All the obstacles facing SMEs noted in the document are real, and others will probably come to light in our detailed examination, but today a company that does even the slightest amount of business abroad will take the single market into account when considering an investment or planning a new product.

3.1.5. This profound influence on the players' cultural attitudes is perhaps the most incontrovertible result of the efforts made to date.

3.2. *Intensity and depth: criteria for judging the effects of the single market*

3.2.1. How deeply has the single market penetrated Europe? The Commission document attempts to sum up the state of the operation of the single market. In some sectors and for some players, the process appears to have been extraordinarily effective. For freedom of movement and the operation of the capital market, the integration process seems to be extremely well advanced. If we consider freedom of movement as it applies to the major industrial and financial conglomerates, it seems likely that what the Commission sees as obstacles still to be removed may actually be transformed into investment opportunities. For these groups and many other companies large enough to take advantage of the single market, it is operating with a very high degree of intensity; but if we venture lower down the scale in the complex structure that is Europe, we see that this intensity is inversely proportional to depth: the lower we go the less intense the effects of the single market. This cannot be ignored when the situation is analysed: the effectiveness of the single market must be assessed

for every last company, every last consumer, every last player.

3.2.2. This requirement should not seem 'extreme'; it would only be so if we were contemplating a Europe in which the single market was effective only as a means of optimizing the use of economic resources.

3.2.3. The Committee wishes to see a broader and stronger Union which is more integrated, inter alia at a social level; the need for this is underscored by the fact that the single market functions most effectively for those who were able to operate throughout the EU even without the application of common rules. Conversely, the most serious hindrances, the most costly regulation, and the most damaging delays and indecision by governments and national administrations in applying the rules, are still largely suffered by the players who have always had difficulty in obtaining free movement. There is a danger that small and medium sized businesses, in particular, may not be able to exploit the full benefits of the single market. These businesses are a key component of the EU's manufacturing tissue and, throughout the difficult restructuring process facing large firms, they have made a major practical contribution to maintaining employment and promoting development. For this reason the marginal levels of intensity are the best yardstick by which to judge the effective operation of the single market.

3.3. *The time-scale of the single market*

3.3.1. Another way of measuring the effectiveness of the single market is to consider the time it has taken so far and the time still available.

Since 1987, measures to establish the single market have followed at an ever-accelerating rate. Nine years on, is it possible to give a date by which this gargantuan project will be completed? A 'mathematical' choice is tricky, but the introduction of the single currency provides a target date in both technical and historical terms.

3.3.2. The effective operation of the single market is a necessary (albeit insufficient) condition for moving on to a single currency. It is one of the most serious commitments which the Union has yet contemplated, and is so difficult and technically complex that, notwithstanding all the thought that has gone into it, nobody can be certain that every aspect has been studied.

3.3.3. For this reason, the consequences could be extremely costly if that date is reached without resolving the issues that the Commission mentions in the final chapter of the document.

3.3.4. If the expense, the insecurity and the problems that the introduction of the Euro will bring are compounded by the costs and problems resulting from a failure to apply the single market with sufficient intensity, the combination of the two processes could disorient the less well integrated players, with unpredictable but certainly harmful consequences.

3.3.5. The completion of the single market must thus be as advanced as possible by the date of introduction of the single currency. Since the 1999 deadline leaves less than two years to complete the single market, steps must be taken to ensure that any outstanding parts of the integration process continue in parallel with the introduction of the single currency.

In this context, the Committee welcomes the Commission's announcement that it will submit an action plan for completing the single market in time for the introduction of the single currency, as advocated by the Committee since 1995.

3.3.6. The Committee feels that, of the economic players, it is small and medium-sized enterprises who are the worst hit by the remaining problems and obstacles. In general SMEs have not been able to fully exploit the benefits expected from the single market. Legislation should therefore concentrate on simplifying administration and on improving information and transparency; this will enable the barriers to be lifted and ensure genuine competition for all.

3.4. *Taxation: risks and opportunities*

3.4.1. Discussion of the relationship between the single market and monetary union naturally leads on to the relationship between the latter and the other tool of economic policy that is available to Member States: fiscal and budgetary policy. Fluctuations in currency values compensate for the varied structures and different rates of progress of national economies. Since these differences are deep-rooted, the removal of this mechanism presupposes that if the EU is to achieve its economic convergence targets, there must be substitutes such as production factor mobility and the compensatory effect of compatible fiscal and budgetary policies.

3.4.2. Although a certain degree of inherent diversity between Member States' tax legislation should be recognized, the globalization of markets and the international mobility of capital already make it clear that uncoordinated action by Member States will be of limited effectiveness, as was shown in last year's Committee opinion on the single market.

3.4.3. Fiscal policy is clearly a delicate area. Primary evidence of this can be found in the requirement for unanimity in decisions relating to it, a situation which the Committee recognizes in principle as being well-founded. That should not, however, allow the consequences of persistent failure to reach decisions to be underestimated; the introduction of qualified majority voting would be preferable by comparison, at least for the most important issues. Indeed, there is a real risk that the 'inherent' differences in taxation and social legislation mentioned above could be used as surreptitious means for countries to compete unfairly against one another. In this context the Commission communication notes, for example, that the lack of a harmonized approach to taxation of income from capital continues to have a major market-distorting impact, particularly where employment is concerned.

3.4.4. In other major areas such as an origin-based VAT system, the elimination of double taxation, and the harmonization of company taxation in general, there have been significant failures to carry out the measures originally proposed in the white paper. The move to a consistent Community system of indirect taxation tightly integrated into the Single Market Programme would thus be the first important signal that the tax system can be considered as other than the exclusive and absolute domain of national governments. The Committee is working on a specific opinion on this subject.

3.4.5. The Committee therefore greatly hopes that the references to taxation included in the single market fields picked out for further action by the Commission will stimulate a broad debate that will lead to the development of certain specific tax and budgetary policies coordinated at Community level.

3.5. *Players and regulators*

3.5.1. The market is defined by its rules: it is not possible to speak of the single market without explicit reference to the public authorities. If the players have made headway towards accepting the single market, the same cannot truthfully be said of the majority of public authorities in the Member States and in other countries within the EEA: eleven years on from the adoption of the white paper, little more than half of its provisions have been implemented in every Member State, and there are major differences in the systems for applying them.

3.5.2. The full and active involvement of the public authorities in the completion of the single market must therefore be a prime objective for future action in this area. Decisive pressure towards this end could come from the 'players' themselves, who have to deal on a daily basis with the problems engendered by transposition and implementation of the rules. Their scope for obtaining

redress is greatly hindered by the lack of effective means of recourse. Despite significant progress, it is still difficult for private individuals to enforce their rights under the different legal systems. Appealing to the Commission is simpler, but the process is still a slow one.

3.5.3. Furthermore, Member States and other countries within the EEA seem reluctant to simplify their own national legislation on matters such as technical standards, and much remains to be done on services of general interest, starting with a clear definition of what they are; they continue to practise discriminatory treatment in this area. The negative impact of this situation cannot be underestimated. In particular, the costs incurred in complying with European regulations — which are often additional to (and complicated by) national ones — are a burden for the majority of small businesses.

3.5.4. The Committee therefore underscores the need for cooperation between the public authorities of the Member States and other countries within the EEA, both directly and with the EU, for an effective relaunch of the commitment to complete the single market. The Committee hopes that the Commission will give the social players a greater role in this process and make use of the wealth of experience that they possess. As a complement to this, the Committee would also like to see greater legislative use of EU regulations, where possible. If necessary, in areas where operators were likely to suffer seriously as a result of delays, directives could set a time limit for appropriate transposition and provide the option of EU intervention through a regulation if the time limit were unnecessarily breached.

4. The prospects for the single market

4.1. As is clear from the remarks in the closing chapter of the Commission document, determined efforts are required to release the full potential of the SMP. Matters such as the effective application of Community law, the completion of the white paper provisions, and the need to simplify national and Community legislation have already been mentioned.

4.2. In conclusion, the SMP must be viewed in the broader context of all Community policies; these instruments must be coordinated as closely as possible, in order to help the EU to meet the challenges of employment and economic globalization.

4.3. In this context, particular attention needs to be given to the part that the SMP can play both in

developing existing agreements (such as with the EEA and with Switzerland) and in the process of preparing the central European countries for EU membership.

5. As was the case for the 1992 programme and the Single European Act, the Intergovernmental Conference on the reform of the Treaty should provide the means for the 1999 action programme to succeed. Changes should, inter alia, concern:

- The incorporation in the Treaty of a new deadline, linked to the introduction of the single currency, for completing the single market,
- The extension of qualified majority voting in Council to matters including the free movement of persons, customs cooperation, and taxation directly affecting the operation of the single market,
- The extension of Community competence to intellectual and industrial property and to certain matters currently included in the third pillar, including the free movement of persons and customs cooperation,
- Stronger powers of initiative and monitoring with respect to the operation of the single market for the European Commission,
- A code of conduct in the operation of the single market for the Member States, to ensure greater levels of self-discipline and constant care to prevent inconsistencies between national and European measures, in order to prevent the creation of obstacles at the earliest stage.

6. Hearing held at the Economic and Social Committee (ESC)

6.1. On 5 March the Committee held a public hearing on the theme 'Which single market for the single currency?' The hearing had a two-fold objective:

- to update the situation on obstacles to intra-EU trade; 62 obstacles had been identified at an earlier hearing held in June 1994;
- to contribute to the Commission's 1999 action plan with a view to making decisive progress towards the completion of the single market in the run-up to the

introduction of the euro, as urged by the ESC in 1995.

6.2. Four sessions were held dealing with: freedom of movement of goods; freedom to provide services; fiscal harmonization; and free movement of persons. The following conclusions were reached:

- definite progress had been made in abolishing controls at EU internal frontiers but only served to highlight the remaining legal, technical and fiscal frontiers between the Member States;
- over half the obstacles identified by the ESC in 1994 were still intact, progress in removing most of the other obstacles had been piecemeal and a number of new obstacles had emerged;
- the last few years had seen a fall-off in new EU legal instruments but the number of national regulations (by 1 to 2 per day) had increased and this could create new barriers to trade;
- there was also a major mismatch between EU provisions and national provisions: the common rules, generally directives, remained incomplete, were sometimes applied unsatisfactorily and left too much leeway for waivers and national-level additional provisions;
- the introduction of the single currency was a vital step towards the completion of the single market but it would highlight the shortcomings and malfunctions of the single market. These problems fully justified the establishment of an emergency programme to tackle them;
- the IGC (Intergovernmental Conference) should ensure that such a programme was equipped with the necessary resources for a success. The Member States should adopt a code of good practice in order to stamp out new trade barriers at source. Users should be fully informed of their rights and appeal procedures, and access should be simplified;
- in drawing up its 1999 action programme, the European Commission should also define the term 'single market' more clearly: there is a need to specify the aspects where full unification is required, the fields in which effective mutual recognition of national provisions is required and the areas where different practices will continue to apply in the Member States. A comparison with the operation of the US single market — including taxation aspects — could provide useful pointers for comparison, bearing in mind the specific nature of the EU.

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on 'SMEs in frontier regions — problems encountered in cross-border business relations, including those relating to technical requirements'

(97/C 206/15)

On 26 March 1996 the Economic and Social Committee, acting under the third paragraph of rule 23 of its rules of procedure, decided to draw up an opinion on 'SMEs in frontier regions — problems encountered in cross-border business relations, including those relating to technical requirements'.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 March 1997. The rapporteur was Mr Muller and the co-rapporteur Mr Folias.

At its 345th plenary session of 23 and 24 April 1997 (meeting of 23 April) the Economic and Social Committee adopted the following opinion by 79 votes in favour with two abstentions.

1. Introduction

1.1. A Europe which aspires to being frontier-free must pay particular attention to what is going on along the frontiers to be abolished. Intra-Community frontier regions cover a significant proportion of the EU's territory. The cross-border scope of Community policies is clear, but their implementation sometimes differs significantly between neighbouring Member States. These divergences and the efforts made to achieve integration and cohesion have a different (i.e. direct) impact on the citizens of these regions, with their obvious political, demographic, economic, social, cultural, geographical and historical peculiarities. The exchange which takes place in these frontier regions helps us to pinpoint any shortcomings needing to be remedied and to devise ways of doing this.

1.2. It is generally recognized that EU SMEs⁽¹⁾ together promote social stability and economic development. It therefore follows that these enterprises can make a decisive contribution to reinforcing the role of frontier regions as a pivot and bridgehead in the development of the single market. These enterprises cover diverse fields of activity. They generally serve a local and easily identifiable clientele. They do not enjoy the anonymity conferred by distance. They have to organize themselves and develop strategies for integration into a large cross-border regional market, with all its peculiarities.

1.3. Their contribution is not only of an economic and social nature. It can also give an impetus in many areas such as cultural life, exchanges of experience, the

search for best practices, the exploitation of human relations, mutual understanding and respect for the specific features of the regions in question. In order to be able to make this contribution, and for it to bear fruit, SMEs have to be able to operate in an environment which meets the essential operating requirements of the single market.

1.4. The purpose of this opinion is to consider, on the basis of information gathered in the course of meetings with the economic and social interest groups directly concerned, the extent to which these essential conditions are met and the nature of the problems which may be encountered by SMEs in cross-border trade.

1.5. The information thus obtained, supplemented by studies carried out in a number of frontier regions, make it possible to draw conclusions which apply generally to SMEs operating in these regions.

1.6. The Economic and Social Committee, and more specifically its single market observatory, feels that the specific analysis of problems on the ground, at the level of ordinary people, and in this case SMEs can make it easier to assess the operation of the single market correctly.

1.7. The Committee, in its capacity as representative of the European Union's economic and social interest groups, does not merely intend to draw conclusions. It must also send a message and address proposals for action to the Commission, the European Parliament and the Council with a view to solving problems and removing obstacles which could prevent large numbers of citizens from feeling the full benefit of the enlarged market. These people's hopes must not be disappointed.

⁽¹⁾ Commerce, crafts, tourism, services sectors etc.

The Committee would also refer to some of its opinions on the operation of the single market⁽¹⁾.

1.8. The problems facing SMEs in intra-Community frontier regions vary greatly in intensity and with regard to their priorities. Nonetheless, they do have certain points in common. To some extent they also affect Member States with limited intra-Community frontiers, or none at all. The specific problems resulting from this geographical and political situation must not be misunderstood. They should be specifically analysed, particularly in the context of EU enlargement policy.

1.9. Moreover, problems of various kinds relating to intra-Community trade and the principle of freedom of movement are already occurring in countries which are party to the EEA agreement, which entered into force on 1 January 1994, i.e.: Norway, Iceland and Liechtenstein. In this respect these countries belong to the EU's field of action.

2. Assessment

2.1. General

2.1.1. A considerable number of problems meriting consideration came to light at the Luxembourg and Innsbruck hearings. It would be impossible to enumerate these in detail in this opinion, and so the Committee has decided to list them separately in an appendix or summary. This does not in any way diminish their importance. For information, the main problems mentioned were: excessive administrative burdens and regulatory constraints in relation to the volume and frequency of cross-border trade, procedures for registering firms, unsuitable ecotax systems and rules on packaging, tax and social representation, double taxation of firms and workers, unsuitable means of redress, limited access to public contracts etc.

(1) Strategic programme on the internal market, OJ No C 304, 10. 11. 1993, p. 10; Report on the single market, OJ No C 195, 18. 7. 1994, p. 6; SMEs: integrated programme, fiscal environment 2nd annual report of the European observatory for SMEs, OJ No C 102, 24. 4. 1995; 2nd annual report on the single market, OJ No C 39, 12. 2. 1996, p. 70; 3rd report of the European observatory for SMEs, OJ No C 82, 19. 3. 1996; 3rd report on the single market, OJ No C 212, 22. 7. 1996, p. 40; Integrated programme for SMEs, OJ No C 56, 24. 2. 1997.

2.1.2. The problems identified are often common to all SMEs. They are however specific insofar as they are perceived differently when they occur in both a national and cross-border regional integration context.

2.1.3. In stressing the need for an integrated policy in favour of SMEs, the Committee is of course thinking in terms of the operation of the single market and the strengthening of cohesion in Europe. The peripheral position of many frontier regions of the EU puts them at a disadvantage vis-à-vis more central regions. They deserve special attention therefore in order to promote their economic growth and to improve their employment potential. This will also enable SMEs to increase their radius of activity, which was previously limited by the frontiers of neighbouring states.

2.1.4. At the initiative of the SMEs' trade organizations and with the support of the Commission (in particular DG XXIII) various studies describing the situation in the regions and proposing solutions have been carried out before and since the completion of the internal market in 1993. The single market observatory will be able to use this work and thus avoid having to set out in this opinion the whole range of obstacles to the operation of the single market in the sectors and regions concerned⁽²⁾.

2.1.5. These studies, reports and interventions, as well as the meetings held with the economic and social interest groups concerned reveal that, apart from the obstacles which will be dealt with in point 2.2 below, the opening up of frontiers and the application of the rules on freedom of movement have, in some sectors at least, given rise to a new dynamism on the part of firms and their representative organizations, supported to some extent by their respective public authorities and the European Union⁽³⁾.

(2) a) Twelve studies on small firms and craft enterprises in frontier areas carried out in 1995-1996.

b) Seven trans-frontier business development offices (BDTE) established in the frontier zones between Austria and Italy, the UK and Ireland, Spain and France, Germany and France, Germany and Belgium, France and Belgium and Italy and France have drawn up activity reports.

c) Small firms and craft enterprises in frontier areas, one of the main themes discussed at the second European conference of small firms and craft enterprises in Berlin (26-27 September 1993).

(3) Consultation meeting in Luxembourg, 11 November 1996: Rhineland-Palatinate, Saarland, Lorraine, the Belgian Province of Luxembourg, the Grand Duchy of Luxembourg; and Innsbruck, 21 November 1996: Austria, Italy, Bavaria.

2.1.6. The following effects and prospects, which can be regarded as positive for the operation of the single market should be mentioned:

- new opportunities for expansion and diversification for dynamic and efficient firms as a result of the enlargement of their geographical range, but without the problems which physically moving the firm would entail;
- SMEs' efforts to adapt in order to respond to increased competition in a relatively small area and to the needs and habits of 'new' consumers;
- focusing of efforts to achieve greater competitiveness, and a resulting greater awareness of the need for urgent action on a number of operational levels: requirement to adjust management methods, improvement of vocational skills, efficiency of investment policies, appropriate forms of cooperation, synergy and information across borders, detection of common problems, and implementation of solutions. This positive approach is illustrated by the specific activities carried out, which are often based on bilateral agreements concluded in a spirit of partnership;
- development of new and additional activities in SMEs as a result of increased cooperation and greater diversity of demand in frontier regions, thus creating new job opportunities;
- testing not only of SMEs' potential for flexibility and mobility, but also of the structure, operating methods and efficiency of their trade organizations and other support bodies, whose catalytic and multiplier effects should be stressed;
- exploitation of the euro info centres established with the support of the Commission and encouragement of general or sectoral local and regional initiatives: information and coordination agencies covering specific areas such as public purchasing, technical standards, waste management and protection of the environment; services aimed at the study of cross-border markets, providing information and raising awareness with regard to exports, collective and individual participation in exhibitions in the region, organization of meetings to promote inter-firm cooperation activities, sometimes in collaboration with the region's research institutions.

2.2. *The obstacles*

The Committee's initiative is aimed at a better understanding of the problems of SMEs, and the single market observatory sets out to emphasize the real concerns of these enterprises.

2.2.1. Although the Committee highlights aspects such as those described in point 2.1.5 above, this is not however to minimize the concerns of SMEs in frontier regions. Rather it is out of a concern for objectivity and in order to sketch out an approach which could improve the situation. Following discussions, albeit fragmentary, with the enterprises concerned, the Committee has noted the following points:

2.2.2. The problems encountered by all SMEs with the operation of the single market have been discussed in various Committee opinions, and in particular those drawn up by the single market observatory. With regard to the more specific problem tackled in this opinion, the Commission is in possession of very detailed information on the difficulties encountered by SMEs operating in frontier regions. The political authorities of the Member States concerned cannot be unaware of the situation; MEPs are informed. For the purposes of this opinion therefore, the Committee does not need to carry out a new investigation.

2.2.3. The obstacles and hindrances which the Committee believes it has identified in a general way of course include some of a general nature and which do not relate exclusively to frontier-region SMEs. However they may be felt more acutely by such enterprises. They need therefore to be considered from this angle.

2.2.4. In view of the development of the EU and the necessary process of opening up, it is sometimes asserted that frontiers are 'all in the mind'. It could equally well be said that entrenched attitudes die hard. This does not however in any way absolve us of the duty of seeking out the actual and probable causes of the psychological barriers also mentioned by the SME representatives interviewed.

2.2.4.1. The causes may lie with the decision-makers and players at any given level. They may include inadequate information or technical jargon which is incomprehensible to the uninitiated and impedes understanding of the successes and hazards of the European endeavour. Other causes might be an inaccurate or incorrect assessment of the situation or the extent to which the single market makes itself felt in the everyday life of citizens and SMEs in frontier regions. Or a relative failure to listen, both from the top down and from the bottom up.

2.2.4.2. They may arise from statements by politicians or in the media, which may be either wildly optimistic

and speculative, self-deluding or dangerously downbeat. Or resistance to political, economic, social and cultural change and changes in habits and attitudes.

2.2.4.3. These causes will take a long time to mitigate and eventually eliminate. And this can only be done by repeatedly hammering home a positive message based on actual facts. Reaching the firms in question will require the establishment of an environment which encourages SMEs to become active in their frontier region and to surmount barriers through an effort of will and by their own efforts.

2.2.5. Apart from these psychological barriers there are also obstacles inherent to SMEs, as opposed to larger firms, particularly those doing regional, cross-border business. Heads of SMEs wishing or obliged to extend their activities beyond frontiers may come up against obstacles such as: the small size and inadequate structure of the firm, lack of information on neighbouring markets, lack of experience of trade practices, lack of strategic back-up and suitable training, lack of financial resources, inadequate knowledge of support instruments, hesitation between a plethora of initiatives, administrative formalities and regulatory constraints. Clearly appropriate actions must be reinforced at national level and within the trade associations, possibly with the support of the Commission.

2.2.6. In the frontier regions there are obstacles of a geographical, historical or political nature to the development of a 'cross-border culture', which, leaving linguistic problems aside, contributes greatly to cross-border integration and the opportunities for SMEs. In the case of frontier regions and areas without such a culture, development programmes should aim to promote systematically the development of an economic fabric in which SMEs in various sectors would have a place. SME representatives should be involved in the drawing up and implementation of such programmes. It is interesting to note that, in the framework of the initiatives undertaken to establish a better coordinated and more coherent cross-border regional policy for the Saar-Lor-Lux region (Germany-France-Belgium-Luxembourg), the establishment of an inter-regional economic and social council is apparently envisaged, which would enable the economic and social interest groups to be more directly involved in the implementation of the policy.

2.2.7. Analyses of integration in frontier regions show that, as in all the EU's regions, obstacles linked to laws and regulations, and particularly their application, are significant. These obstacles are a constant irritant in frontier regions. They sometimes take on grotesque proportions, to such an extent that SMEs are actually forced to abandon plans or else to circumvent the obstacles in ways which, whilst ingenious, lead to intolerable discrimination and distortions of competition. The many difficulties reported often relate to the complexity of Community law and its practical application. Applications have been made for the alleviation and simplification of administrative burdens, in particular in connection with the Intrastat system.

2.2.7.1. Differences between the laws and regulations of the Member States, e.g. with regard to tax, social security, labour law and public notice rules, can create major difficulties or intolerable barriers if they give rise to discrimination or unfair competition and if they are used to justify deliberate administrative obstruction.

2.2.8. Among the ranks of the frontier SMEs it is administrative obstacles, cumbersome procedures and unsuitable methods of redress which are the main sources of concern and disenchantment with the development of the European Union. The Committee emphasizes the need for national, regional and local authorities to develop greater flexibility in the application of rules.

2.2.8.1. With regard to free access to the frontier markets of neighbouring countries and the various forms of establishment (permanent establishment, temporary or occasional provision of services), the difficulties encountered are many, and they are often perceived as obstructive and discriminatory insofar as they particularly affect non-domestic firms.

2.2.9. The apparently inexhaustible subject of technical standards has been dealt with at substantial length and depth in the ESC Opinion CES 690/96 (rapporteur: Mr Jaschick) on 'technical standards and mutual recognition'⁽¹⁾ followed by evidence recorded during the hearings in Stockholm and Milan, January 1996. More specifically, in the above mentioned opinion the Committee has treated the 'attempts' to remove technical barriers to trade, has recorded the current situation and has proposed a number of recommendations. These recommendations are still valid.

2.2.9.1. It has been estimated that in 1985, more than 100 000 different national technical specifications

⁽¹⁾ OJ No C 212, 22. 7. 1996.

coexisted in the, then, EEC. Furthermore, an average of more than 450 new national technical rules for products are notified to the Commission every year. If this situation continues, the single markets becomes an unreachable utopia with the effective choice of one of two evils: higher production or adaptation cost, or zero export opportunities. It should be kept in mind that 76% of the value of intra-EU trade is subject to mandatory technical specifications.

2.2.9.2. Technical requirements can affect design, production, sales, marketing and after-sales servicing costs and policies, undermining the very business operations they were intended to support. The effect of these requirements, which arise from the different approaches applied, is clear when you consider the degree of harmonization already achieved⁽¹⁾.

2.2.9.3. Sectors which are decisively affected in cross-border trade are:

- Construction products and services: lack of harmonized standards; building regulations; construction codes; construction requirements; technical conditions/terms of reference; security measures for installations (electricity, gas, plumbing, etc.);
- Foodstuffs (bakery — meat — dairy products): veterinary legislation; different ingredients allowed per country; storing conditions during distribution; invoicing; labelling; registration requirements.

2.2.9.4. Other sectors in general, and therefore trans-frontier trade too, affected by various technical barriers are:

- Pharmaceutical products: national reimbursement schemes; price controls; banned ingredients; registration procedures;
- Motor vehicles: differences in tax treatment; age of second-hand cars;
- Machinery: high cost of testing and conformity assessment; voltage differences; gas supply differences; different types of plugs;

(1) 34% of trade is already harmonized by the old approach (detailed harmonization); 17% of trade is now, or will soon be, covered by the new approach; 25% of trade is subject to national technical regulations without harmonization, so it depends upon the mutual recognition principle; 19% of trade is covered by mutual recognition arrangements, but half of it (10%) comprises products already harmonized under the new approach; only 15% of trade is covered neither by harmonization nor by mutual recognition arrangements.

— Toys: barriers to advertising methods; safety requirements;

— Medical devices.

2.2.10. In the light of the technical requirements which the Committee has had occasion to discuss in its various opinions and of the areas listed above in which SMEs encounter problems of varying severity, the following problems particularly affecting SMEs in frontier regions can be enumerated:

2.2.10.1. Each year some 500 product standards are established. Implementing standards do not however keep pace. This creates uncertainty, which may have a real impact on the activities of SMEs regularly operating across frontiers. Such firms have to operate within relatively short deadlines and cannot afford delays resulting from imprecise technical standards.

2.2.10.2. Technical requirements linked to safety standards for gas and electric installations and other areas of construction may create difficulties where specific rules in a given Member State differ from those in a neighbouring Member State. In such cases possible discrimination or distortions of competition need to be guarded against.

2.2.10.3. In general terms SMEs in frontier regions expect to see a steady improvement in the transparency of technical requirements in force in neighbouring Member States. Apart from language problems, other obstacles arise in connection with the definition and interpretation of technical rules, whether Community or national, thus impeding cross-border relations.

2.2.10.4. In frontier regions it might be worthwhile examining more closely opportunities for, and improved forms of, cross-border cooperation with regard to the transfer of new technologies, where appropriate in collaboration with technology and research institutions.

3. Proposals

3.1. Without prejudice to the proposals made by the ESC in some sixty opinions on the internal market or to the numerous recommendations made by the single market observatory since it was established in 1994⁽²⁾,

(2) The single market in 1993, OJ No C 393, 31. 12. 1994; The single market in 1994, OJ No C 39, 12. 2. 1996; The single market in 1995, OJ No C 212, 22. 7. 1996; Commercial communications; Technical standards, OJ No C 212, 22. 7. 1996; Public contracts, OJ No C 212, 22. 7. 1996; Encrypted services, OJ No C 66, 3. 3. 1997.

and in addition to the conclusions to be drawn from the various studies and analyses carried out, in part with the support of the Commission, the ESC wishes to stress a number of actions and measures which could improve the situation outlined above. These actions are situated within various fields of responsibility.

3.2. EU level

3.2.1. The Commission's reports on the single market generally draw conclusions on macroeconomic problems. The ESC is in no way critical of this approach to the evaluation of the results of completion of the internal market. It feels however that greater emphasis should be placed on the situation as it is felt on the ground, at the grass roots of Europe, as it feels that 'minor questions' may be highly relevant to the development of 'major questions'. The opinions which the Committee would like to draw up on specific problems thus deserve the attention of the Commission and the Council.

3.2.2. This approach would probably necessitate the removal of certain lines of demarcation which appear to exist at the Commission and which might stand in the way of systematic coordination, integration and cooperation. An example is the call by the parties concerned for the publication of a vade mecum for trans-frontier SMEs. Clearly this would require effective cooperation between various Directorates-General in view of the overlapping of Community policies and actions (in this case: regional development policy, structural funds, cohesion funds, integrated programme in favour of SMEs, environmental protection including waste management, freedom of movement and establishment, mutual recognition of qualifications, sector liberalization, public contracts, tax, competition policy etc.). The EICs would have a role to play in work of this kind.

3.2.3. The Committee would like to see the establishment of transfrontier enterprise development offices (BDTE) along the lines of that set up by France and Belgium with the support of the Commission. This kind of initiative deserves wider support, particularly in regions which do not have appropriate organizational structures. These offices ought to function independently of national administrations and receive support from the Commission's national and regional offices and the EICs. They should be empowered to alert the Community authorities to obstacles to the operation of the single market and, where necessary, to forward complaints to the competent bodies.

3.2.4. The Committee appreciates the Commission's current efforts to achieve better coordination of activi-

ties. It also notes with satisfaction that the Commission and the Council attach importance to better integration of SMEs into the various policies. The Committee asks that this positive initiative not be devalued by a failure to recognize the problems needing to be resolved in frontier regions.

3.2.5. In this connection, the Committee asks the Commission to take account of this opinion in drawing up various documents on its 1997 work programme. It is worth mentioning here the work which DG XVI intends to do with a view to 1) a recommendation on the strengthening of cross-border cooperation and the achievements of, and prospects for, interregional cooperation and 2) a communication on regional and competition policy.

3.2.6. In the Commission's various operational programmes in favour of SMEs it is important that there be greater openness and that their regulatory and administrative provisions be more closely geared to the actual situation in frontier regions (Leonardo, Socrates, Craft, Brite-Euram, Interreg, Leader, Adapt, Urban, Interprise, Eures, Lingua, Structural Funds etc.).

3.2.7. Improved intra-Commission cooperation in the field which concerns us here could probably be achieved by giving DG XXIII, which is responsible for SMEs, a coordinating function which would also involve establishing an information and study mechanism jointly with the ESC's single market observatory.

3.2.8. The Committee asks the Commission to ensure that SME representatives, who are aware of practical problems at frontiers, also be involved in future work on the SLIM initiative. The same goes for work on the consolidation of EU regulations, which is becoming increasingly urgent.

3.2.9. The Commission's Communication on the impact and effectiveness of the single market (COM(96) 520 final of 30 October 1996) refers to an action programme aimed, inter alia, at the elimination of the remaining barriers. If this action programme is to be effective, attention should be paid to forms of consultation enabling account to be taken of the specific situation in frontier regions.

3.2.10. The manifest shortcomings with regard to claims by firms and redress, the lack of rapid, reasoned and effective follow-up and the relative impotence of intermediaries in dealing with barriers are calculated to destroy the confidence which SMEs and their representatives would like to have in the EU. A suitable system of redress should be introduced, at the latest by the action

programme on the operation of the single market announced by the Commission. A prior analysis of the present situation with regard to redress is indicated.

3.2.11. The role of the EICs in passing information on the operation of the single market up and down the chain should be spelt out. In so doing, it should be ensured that the information supplied by government bodies is reliable and matches the requirements of the EICs. It might be worthwhile seeking cooperation between SME and consumer.

3.2.12. In order to establish common positions and practices and map out appropriate action, the Commission should as soon as possible set up, in collaboration with the ESC's single market observatory, a system of periodic but regular consultations with the EICs, the BDTEs and the occupational organizations concerned. A specific discussion of the usefulness of the one-stop-shops would also be worthwhile.

3.2.13. The ESC notes that intermediaries and support bodies already exist in this area, and that they have already adopted interesting and innovative initiatives, which are however often insufficiently well known and underestimated. These bodies should be encouraged in their work

3.2.14. In order to encourage the parties concerned to set up and implement actions and programmes to facilitate the integration of SMEs in frontier regions, the Committee calls for a programme of action and incentives in the form of competitions and prizes for best practices which could serve as models for other frontier regions

3.2.15. Supporting bodies such as NORMAPME, which is linked to UEAPME, in defining and applying technical standards, makes it possible to focus on the specific problems of SMEs in general and those in frontier regions in particular.

3.3. *National and regional level*

3.3.1. Quite a few of the above proposals aimed the Commission, as the Committee's direct discussion partner, should also be reflected in actions proposed and implemented by the Member States and regional bodies.

3.3.2. Correct implementation of Community legislation in national law is of course essential. Here national authorities need to ensure that the problems of operators — and particularly SMEs — in their frontier regions are properly taken into account.

3.3.3. By concerted and judicious action Member States can help alleviate language problems.

3.3.4. The provision of appropriate information on bodies and administrations which could serve as direct and useful discussion partners, and the centralization of claims submitted to Member States by firms and their representative organizations, could help put an end to a problem of anonymity which is damaging to all the parties concerned.

3.3.5. The Member States and the regional authorities would do well to set up clearly defined and understood structures with the task of developing relations with the competent authorities of the neighbouring Member State(s) and mechanisms to facilitate pragmatic solutions and bilateral agreements. This approach would be valuable in eliminating barriers, which do not always relate to legal disparities and which can be handled pragmatically. Similarly, at the Commission, platforms for specialized problem-solving could help re-establish the waning confidence in the single market. The economic and social interest groups should be involved as far as possible in this.

3.3.6. The ESC is aware that there are various, both objective (differing legislation and administrative practices) and subjective reasons (changing habits, uncertainty, protectionist reactions) for opposition and disagreement on the part of governments and administrations. Actions are therefore needed aimed at better mutual understanding with a view to achieving a *modus vivendi* acceptable to all the parties involved. Here account should be taken of the role of the local and regional authorities and the positive initiatives taken by firms and their representative organizations which, far from being regarded as marginal, deserve concrete encouragement.

3.3.7. Although the Commission feels that the current Community rules are adequate to deal suitably with the technical requirements, attention should be drawn to the possibility of proceeding via bilateral agreements, which could, if certain conditions with regard to consultation are met, make things easier for frontier SMEs.

3.4. *Occupational organizations, support bodies and intermediaries*

3.4.1. The role of the SMEs' representative organizations in the development of cross-border activities and the positive impact of their awareness-raising and cooperation initiatives have been repeatedly highlighted above.

3.4.2. These bodies' powers of intervention and persuasion in the SME sectors are however limited. And they will be greatly diminished if the vision of a cross-border culture is at odds with actual practice and if there is resistance to action in this field and the prospects for the future. A wide range of action is possible. Action to counter protectionist pressures and the damaging effects of discontent and defeatism. Accurate and direct information campaigns, the establishment of action and reaction strategies for firms wishing to engage in cross-border business, support for various forms of cooperation stressing the usefulness of, and need for, positive commitment by all the parties concerned, improvement of the investment credit system — possibly with appropriate support from financial and credit institutions operating in frontier regions — the presentation of arguments based on a clear perception of the situation, placing matters in a broader perspective and in the context of opportunities for development. This work will not be easy and it is likely to attract criticism from various quarters. But the value of the work is to be found in the determination and the strength to take on responsibility for supporting SMEs and to confront upheavals of whatever kind. Here, as elsewhere, the crucial question of faith in the Citizens' Europe arises. EU politicians must not destroy this faith.

3.4.3. The bodies concerned should ensure that they are in a position not only to appreciate new opportunities opening up for firms, but also to seize the opportunity to design and launch new operations aimed at establishing a broad consensus in the sectors of activity, within economic and social interest groups and consumer groups, to take on what is perhaps a new role, that of mediator, and to strengthen their structures and their credibility and effectiveness.

3.4.4. These bodies should, in the light of the concerns and successes of these enterprises, ensure that they are listened to, understood and supported by all parties able to contribute to creating a climate which will enable

these firms to integrate themselves into an enlarged cross-border market.

3.4.5. The Committee appeals to the organizations representing European SMEs to pay greater attention to the problems highlighted in this opinion. The Committee offers them effective on-going co-operation in this endeavour.

4. Conclusions

4.1. In the light of the findings and proposals set out above, the Committee and its single market observatory must draw certain conclusions as to the role they will be able to play as the EU's consultative body representing the economic and social interest groups — including SMEs — and as an institution entrusted with the task of observing the operation of the single market.

4.2. In the light of its relations with the economic and social interest groups, the Committee needs to think about ways of improving the exchange of information with its discussion partners with regard to the need and opportunities for integration of frontier SMEs into the development process. At the same time channels of communication will need to be mapped out facilitating more systematic monitoring of Community policies and programmes and of the results obtained by firms operating in frontier regions.

4.3. On the basis of this opinion, of its findings and of the measures needing to be taken, the Committee hopes to exploit to the full its role as a direct and privileged discussion partner of the Commission and European Parliament.

4.4. The Committee will be considering the best way to contribute to the collection and dissemination of experience gained and of model activities undertaken in the various frontier regions of the European Union.

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on the 'First cohesion report'

(97/C 206/16)

On 23 April 1997 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the 'First cohesion report'.

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 11 April 1997. The rapporteur was Mr Cal.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion by 117 votes, with 4 dissenting votes and 8 abstentions.

1. Preliminary comments

1.1. The Commission submitted its First Cohesion Report at the beginning of November 1996. Under the terms of Treaty Article 130b, the report is to analyse 'the progress made towards achieving economic and social cohesion and ... the manner in which the various means provided for in this Article have contributed to it'. According to the article, such means include not only the Structural Funds, the European Investment Bank and the other existing financial instruments, but also the coordination of Member States' economic policies, the formulation and implementation of the Community's policies and actions and the implementation of the internal market. The preceding article of the Treaty defines the strengthening of economic and social cohesion as 'reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, including rural areas'. Articles 2 and 3 of the Treaty include economic and social cohesion among the objectives and activities of the Community.

1.2. This is the first time that the contributions of EU and national policies to economic and social cohesion have been examined jointly, and that the impact of non-structural policies (designed for other objectives) on regions and social groups has been assessed. The Committee is pleased that the Commission has now fulfilled this obligation. In its February 1992 own-initiative opinion on economic and social cohesion (CES 226/92, rapporteur: Mr Masucci), the Committee called for the type of approach now taken in the Commission report.

1.3. Economic and social cohesion is an important concept. It provides a basis for defining the priority regions for EU structural policies, and offers a yardstick for assessing the progress made.

1.4. The EU regional support mechanisms that have been developed since their inception in 1975 are based upon two principles. The first is that the process of European economic integration typically is characterized by uneven spatial development. The second is that achieving a greater measure of economic and social cohesion across the EU is a key element in forging an 'ever closer Union among the peoples of Europe'.

1.5. The process of economic integration continues to transform the economy of the European Union. The completion of the internal market as a consequence of the 1992 project, along with successive enlargements to the Union, have created new opportunities for producers to exploit the dynamic benefits that have long been recognized as accompanying international economic integration. Equally, however, it is also recognized that these opportunities are unlikely to be evenly distributed. There are many possible explanations for this, such as proximity to market centre, availability of services, productivity of the labour force and incidence of RTD.

1.6. Integration may benefit one region more than another, giving rise to the phenomenon of uneven economic development whereby the initial 'winners' continue to enjoy the greatest benefits from integration, with the 'losers' progressively falling further behind. The outcome is that regional economic disparities across the area as a whole may become more pronounced.

1.7. At the same time, of course, there are countervailing pressures. We do see significant economic success — poles of economic growth — in specific locations in otherwise disadvantaged regions. Investment often does flow from 'core' to 'periphery' creating important economic opportunities in the periphery. However, once again it seems to be the case that the investment that does occur outside of core regions tends to be highly concentrated in specific locations and not evenly spread throughout the region as a whole.

1.8. It is this connection between the opportunities that arise from economic integration on the one hand, and the unevenness in the distribution of the benefits on the other hand, that provides a central rationale for the operation of the Structural Funds. In short, these funds represent a facility for ensuring that those who gain most from integration are able to assist the economic development of countries and regions that gain least, but which nonetheless have contributed to the overall gains from integration. Viewed in this way one should regard the Structural Funds as a justifiable mechanism for promoting the balanced and efficient economic development of the area as a whole.

Policies to secure greater cohesion are a shared responsibility of the European Union, Member State governments, regional and provincial authorities. Within the European Union there is a compelling need to ensure that policies developed in different settings, within the discretion reflected in the framework of devolved decision making and the application of the principles of subsidiarity, are coordinated and consistent one with another.

1.9. The Structural Funds represent a mechanism for giving expression to the solidarity between the citizens of the Union. Community intervention has a purpose if it serves to complement national and/or interregional solidarity in cases where such solidarity is not enough to overcome problems. The principle of 'economic and social cohesion' that was set out in the single European act constitutes a clear objective with regard to the long term political aspirations of the European Union. It is difficult to conceive of a successful Union in which excessively wide differences prevail in standards of living and employment opportunities. The Structural Funds are designed to help to improve opportunities in regions that suffer economic disadvantage. By so doing they play a crucial part in maintaining the momentum for closer integration across the European Union.

1.10. The Funds are only as effective as the policies which they support. The critical value of the First Cohesion Report is that it places the Funds in the context of a wider range of EU policies.

Consequently, in the forthcoming debate about the future shape of the Structural Funds, proper regard must be given to the purpose that the Funds are intended to serve as well as to means whereby their effectiveness can be enhanced.

1.11. Resources to support cohesion policies must be directed in ways which facilitate the self-sustaining generation of more employment and higher incomes in the less prosperous regions. Transfers, whether from the Union or within Member States, do not equate to

permanent subsidies. The objective is, whether by improved productivity, adoption of innovations, enhanced labour skills, or infrastructural improvements, to support viable enterprises which generate higher value added. Any lesser objective would be an unacceptable constraint.

2. Comments on the chapters of the report

2.1. *The overall results achieved*

2.1.1. The report concludes that cohesion has improved over the reference period (1983-1993), as the per capita GDP in purchasing power standards (PPS) of the four countries eligible for the cohesion fund has drawn nearer to the Community average.

However, when measured for the regions of the Union, the disparities have remained largely unchanged.

2.1.2. GDP per head is the most commonly used indicator for measuring cohesion and is the principal criterion for defining lagging regions (regions in which this indicator is less than 75% of the Community average).

2.1.3. However, the overall results now presented must be viewed with some caution, as various factors have altered the pattern during the reference period. Firstly, German unification immediately brought down the Community average and pushed up the figures for the cohesion countries by between one and two percentage points from 1991 (and also those of other regions); the average was also altered by the accession of three new Member States in 1995. Also, since 1990, Eurostat's use of PPS estimates has meant that the indices reflect not only per capita production growth but also variations in the terms of trade and, to a lesser degree, in exchange rates.

2.1.4. The upshot is that the official indices for Portugal, Ireland and Greece have risen in the 1990s by more than the differences in real per capita economic growth between these countries and the Community average. These indices are extremely important, both for determining regions' eligibility and the distribution of Community funds, and for the overall presentation of the results of cohesion policy. The Commission should therefore improve its methodology with a view to examining the future Objective I regions, so as to take account of the various components that explain the

variation in per capita GDP-PPS indices (real production trends, price trends, in part influenced by monetary fluctuations and distortions introduced by the formulae used for calculation and 'regionalization' of economic activities — for example, attributing oil or gas production to regions, or attributing the whole of a company's activity to the place where its head office is located).

2.1.5. Progress towards the EU average in the countries eligible for the cohesion fund is influenced by the progress made in these countries' capital-city regions. This trend is more encouraging than the progress made in narrowing the gap between the most and least developed regions of the EU. The report confirms that disparities between the latter did not diminish: although the 25 poorest regions progressed from 53 to 55 % of the EU average, the 25 richest regions rose from 140 to 142 %.

2.1.6. Hence it cannot be argued that, because the disparities in income between Member States, and particularly in the countries eligible for the Cohesion Fund, have narrowed during periods of stronger economic growth, there has been significant progress towards greater cohesion. The figures used underwent major methodological changes, the comparative base was altered, and the conceptual framework is unsatisfactory if treated simplistically.

2.1.7. The Committee, in addition to its concerns about the methods of assessment used and the impact of capital-city regions, also takes particular note of the explanation of the components of geographical disparities which has been outlined by the Commission. The differences in economic activity rates for the adult population and the differences in GDP per person employed also contain policy implications for the future of the cohesion objectives at Community and national level.

2.2. Member State policies

2.2.1. In considering the impact of national macro-economic policies, the report focuses on the consequences of satisfying the nominal convergence criteria, which seek to establish stability and a climate that is conducive to investment as the key to future economic growth and employment. There is no mention of the impact which EMU and restrictive budgetary policies might have on cohesion, or the impact of relations between the countries that are 'in' and those that are 'pre-in'. Some time ago, the European Parliament with

the support of the ESC called for a study of the impact of EMU on cohesion, but the Commission has not yet produced one. Nor has any study been made of how the cohesion countries might be affected by Treaty enshrinement of the idea of 'strengthened cooperation'; it is not even clear in which areas such cooperation will occur. At all events this should not affect areas coming under the first pillar, such as the single market or economic and social cohesion policy.

2.2.2. Turning to the impact of Member States' public spending, the report notes that public expenditure accounts for a significant proportion (between 40 % and 60 %) of national GDP, and that the current Community budget (equal to 1,2 % of GDP, with 0,45 % of this estimated as going to structural policies) is too small to make a significant contribution to redressing the imbalances.

2.2.3. Public services (which represent between 20 and 30 % of Member States' GDP) have major redistributive effects as they support consumption by the lowest income groups who contribute the least to their funding, as a result of progressive or proportional taxation. Thanks to social transfers — which are a key feature of the European social model — the number of households living below the poverty line has fallen from 40 to 15 % of all households.

2.2.4. Spending on economic services (accounting for between 6 and 14 % of Member States' GDP) is designed to improve businesses' operating conditions by assisting them at regional level, with R&D and through employment and vocational training policy. The differing financial capacities of the Member States mean that national aid for regional development is higher (equal to 4 % of the GDP of donor regions and 8 % of that of recipient regions) in the more developed countries which have marked 'dualism' in their economies.

2.2.5. As a result of the redistribution operated by national budgets, the report notes that regional disparities in average personal incomes are 20-40 % lower than the disparities in regional per capita GDP. This is important for appreciating the difference between disposable incomes after transfers and the product per person in employment, which shows the true scale of regional development disparities.

2.2.6. In addition to the influence of national macro-economic policies on cohesion through the impact of the convergence criteria, some of the critical elements in re-enforcing cohesion lie within the domestic actions of

Member States and the regional or provincial authorities. These actions, whether related to State aids, fiscal concessions, education and training, R&TD, environmental policies, social policies or infrastructural investment are relevant to an overall policy for improving cohesion.

2.3. *The policies of the European Union*

2.3.1. As the introduction to this chapter of the report notes, the common policies each have a specific set of objectives. They were not designed to achieve other objectives; however, when examining their results, we can and should see under what conditions they can further economic and social cohesion within the constraints of their own objectives.

2.3.2. Of the EU's sectoral policies, the CAP has involved the largest redistribution of income among European citizens. It is true that the farm prices policy (which accounts for around 50 % of the Community budget, or some 0,6 % of EU-15 GDP) transfers incomes from richer urban areas to rural areas. However, the support for high farm prices which characterized the former CAP acted as a regressive tax on consumers, as the lowest-income households spend a higher proportion of their income on food, and transfers to farmers tended to favour the larger farms. By linking aid to acreage instead of production, the 1992 reform appears to have alleviated this situation, under which an estimated 80 % of transfers had been going to 20 % of farms, namely the larger and generally more profitable ones. However, statistics are not yet available to confirm this.

2.3.3. As regards transfers between regions and/or Member States, the main recipients of EAGGF Guarantee payments in 1995 were France (almost 25 % of the total), Germany (16 %), Spain (13 %), Italy (10 %), the UK (9 %) and Greece (7 %).

2.3.4. The report devotes only a few paragraphs to fisheries policy. The impact of this policy on cohesion appears mixed: the report recognizes that most of the Community's fishermen are concentrated in Spain, Greece, Portugal and Southern Italy, but also states that excess capacity in the sector makes it necessary to reduce fishing effort, which will have an adverse impact on employment.

2.3.5. The single market programme and policies to promote competitiveness, such as the measures for

guaranteeing free movement of capital, goods, services and persons, have been the subject of a number of studies leading to a specific Commission communication which is currently being scrutinized by the ESC's single market observatory. The report does not seem to take account of this work.

2.3.6. EU competition policy, as enshrined in the Treaty, recognizes two types of region that are eligible for regional aid from the Member States: the least developed areas or those facing serious unemployment problems [Article 92(3)(a)] and those with other problems (principally industrial decline) [Article 92(3)(c)]. Competition policy has not sought to strengthen geographical cohesion but rather to prevent or eliminate market distortions, the aim being to increase efficiency.

2.3.7. Virtually all Objective 1 regions are eligible under (a). However, in the case of Objective 2, 5b and 6 regions, the regions covered by the abovementioned articles of the Treaty do not fully correspond with those covered by the Structural Fund objectives.

2.3.8. Authorized levels of state aid to encourage investment vary according to the type of region. In practice, however, budgetary problems prevent the less developed regions from reaching the maximum authorized levels, while other countries are able to grant higher levels of regional aid, as noted in 2.3.6 above.

2.3.9. It is important that the criteria which determine eligibility for regional aid under the Structural Funds are consistent with national criteria and the present situation needs to be remedied. Firstly, the criteria used to demarcate regions and areas for regional policy purposes should be laid down at EU level. Secondly, those regions deemed to be eligible for Structural Fund assistance should be included in and made compatible with those proposed by the respective Member States for their own state regional aid. Thirdly, the areas assisted solely by the Member States should complement/extend the regions eligible for the Structural Funds: the Commission must strengthen its monitoring role in this field.

2.3.10. The Community's research and development (R&D) policy accounts for around 4 % of total public civilian R&D effort in the Member States (and around 0,05 % of Community GDP). The limitations of this policy are thus clear. The report confirms that more than half of Community R&D is conducted in 10 or so

'islands of innovation' — the 'Archipelago Europe' running from London to Milan — which also receive the lion's share of Community financing. The less developed regions lack the necessary infrastructure, laboratory equipment, and qualified engineers and scientists to attract high added-value, high-tech activities or to participate in innovation systems. When selecting R&D programmes, account should be taken of the research specializations of these regions, so as to make it easier for them to participate. More attention should also be paid to the interaction between Structural Funds and the Community R&D framework Programme and to the dissemination of results, with a view to strengthening the business fabric of the less developed regions.

2.3.11. SME policy must tackle the main obstacles to the development of small firms, such as lack of seed capital and skilled managers. Access to R&D and information systems is vital for small firms in the new economic context marked by market globalization and the generalized introduction of new technologies. The role of SME support organizations and the strengthening of horizontal and vertical cooperation between SMEs are extremely important for the application of SME support policy — a policy which the ESC has always backed.

2.3.12. As regards trade policy, the report acknowledges that customs protection is higher for products which come mainly from the lower income regions, and that the industries still subject to the highest level of customs protection account for around half of industrial employment in Portugal and Greece but less than a quarter in such countries as Denmark and Germany. In general, the countries eligible for the Cohesion Fund (with the possible exception of Ireland) and some other peripheral regions are more vulnerable to trade liberalization.

2.3.13. Trans-European networks (TENs) are designed to improve the coherence and efficiency of transport, telecommunications and energy supply, and thus help to make the EU economy as a whole more competitive. The present network liberalization and investment tend to benefit the central, more developed regions of the Community and, unless appropriate measures are taken, the regions with the largest markets will benefit disproportionately more than the least advantaged or most outlying regions. The development of local networks

that link up with trans-European networks is in the Community's interest as the TENs could help to boost cohesion if they give priority to opening up outlying regions.

2.3.14. Under the heading of quality of life policies, the report considers social policy, environment policy, and education and vocational training.

2.3.14.1. The section on social policy is extremely short and confused, mixing the measures taken with the intentions announced. In social policy, which by definition seeks to promote cohesion, legislation has sought to guarantee free movement of workers (although in practice, it is acknowledged that labour mobility between Member States remains very low), equal treatment for men and women and adequate health and safety standards in the workplace (which has helped cohesion to the extent that the countries in which workers were least protected have improved their levels of protection).

2.3.14.2. The social protection provisions of the social action programme have been implemented on the basis of minimum levels which, almost always, have constituted the 'lowest common denominator' of existing national provisions, so their impact on cohesion has not been very great. The delays in approval of the rules on crossborder subcontracting have not helped to strengthen cohesion. The role of the social partners has been enhanced in the last few years, and is enshrined in the protocol appended to the Treaty; this could also have an impact at national level. The directive on worker information and consultation in multinationals has also helped social cohesion at EU level by improving access for workers in the most outlying regions. Yet the cohesion report overlooks these aspects.

2.3.14.3. It is too early to assess the results of the priority being accorded at EU level to employment, which has led to the Commission's proposal for an employment pact and, more recently, to the proposals to draw up territorial employment pacts. The European Social Fund can help to tackle the structural problems caused by the mismatch between workers' skills and those needed in the labour market. Whilst improving the skills of available workers does not, in itself, create more jobs, the prospect is that the availability of skilled workers will attract investment and hence increase employment. The European Social Fund cannot, how-

ever, carry more than a small proportion of the funding needs of an adequate training and education programme which focuses on the needs of particular regions. The allocations from the Social Fund are an opportunity for the Community to show support for the needs of particular areas and also provide the opportunity for the Commission to improve the cohesion with which funds from within Member States and from the Community are used.

2.3.14.4. Article 130r of the Treaty stipulates that environment policy must take account of cohesion. The report states that the underlying situation in the cohesion countries is generally more favourable because pollution is lower, in relation to both GDP and population, than in the more developed countries, but that efforts to promote faster economic growth and a convergence of productive capacity and income levels 'create inevitable risks for the environment'. However, the report also recognizes that it is difficult to assess the measures already taken, and that approval of the set of measures in preparation (energy/carbon tax, reduction of vehicle emissions, greater use of renewable energy sources, directives on nitrates, water and sewage) could lead to a drop in GDP and sharply increase agriculture and road transport costs. This was the argument used to justify the setting-up of the Cohesion Fund, and the reason why a major portion of its resources is used to prepare the cohesion countries for the challenges posed by environment policy, which are set to increase.

2.3.14.5. EU education and vocational training programmes are limited in scale (around 0,5 % of the Community budget) and their innovative nature makes them more accessible to young people in the most developed regions. Despite this, students from the cohesion countries are well represented.

2.3.14.6. Contrary to the conclusions of this chapter, the analyses do not confirm that the cohesion countries are the main beneficiaries of the CAP and R&D policy.

2.4. Community structural policies

2.4.1. The report begins by noting that the four Structural Funds and the Cohesion Fund account for around a third of the Community budget and nearly 0,5 % of Community GDP. These figures have been arrived at by using the projections made on the basis of the Edinburgh agreement which approved the Delors II

package. However, the actual figures for 1995 show that structural expenditure represents 0,38 % of Community GDP. The sums scheduled for payments in the 1996 and 1997 budgets confirm that total structural expenditure for these two years stands at 0,38 % and 0,37 % of Community GDP respectively. Under the Financial Perspective approved in Edinburgh, commitment appropriations are to reach 0,46 % of Community GDP, so no substantial macro-economic effects can be expected for the EU economy as a whole. The impact on the cohesion countries is different because the sums transferred are significant in relation to the respective GDP and investment. This has increased the cohesion countries' economic growth by around 0,5 percentage points. Moreover, the Funds have boosted economic momentum and in some cases have triggered a significant increase in foreign direct investment in the cohesion countries, thus helping them to modernize.

2.4.2. The chief priority of the Community structural policies (Objective 1) is the development and structural adjustment of regions where development is lagging behind, including rural areas. About 26 % of the EU population lives in these regions. For the 1994-1999 programming period, the breakdown between the three main areas of Structural Fund assistance — infrastructure, human resources and productive investment — is expected to remain broadly even. The part allocated to infrastructure has fallen in recent years, while spending on the productive environment has risen.

2.4.3. Some 16 % of the EU population live in Objective 2 regions (regions facing industrial decline). Around 11 % of Structural Fund spending goes to Objective 2; of this, 45 % goes on the productive environment, 35 % on human resources, and the rest on the regeneration of businesses and industrial sites. The lower percentage of infrastructure expenditure is explained by the fact that these regions are generally better equipped than Objective 1 regions.

2.4.4. The Committee welcomed the introduction of Objective 4. It is important that Objective 4 measures continue to endeavour to anticipate the effects of economic change, strengthening a strategy to prevent unemployment and helping to improve vocational training systems. In its opinion on the future of cohesion and the long-term implications for the Structural Funds (adopted in February 1996, rapporteur: Mr van Dijk, point 5.3 vii), the Committee asked the Commission to produce 'a detailed appraisal of the effects of assistance under the new Objective 4'.

2.4.5. Objective 5b measures seek to help the regions facing particularly serious agricultural problems. The integrated rural development programmes under this objective should be considerably reinforced so as to accentuate the effects which the CAP reform was designed to achieve.

2.4.6. The Cohesion Fund came into operation only in 1993. It assists the four least developed Member States whose per capita GDP in purchasing power standards (PPS) is below 90 % of the Community average, and which have submitted a convergence programme. The Fund provides funding for transport infrastructure and environment projects. The project-based approach facilitates coordination with the EIB.

2.4.7. In its opinion on the future of cohesion, the Committee took the view that 'cohesion Member States ineligible to move to stage 3 of monetary union by 1 January 1999 ought to continue to receive assistance from a possibly adapted Cohesion Fund in order to help them fulfil the Maastricht criteria'. It also noted that countries which fulfilled the convergence criteria might continue to require financial support, and that this problem had to be solved too (see point 5.3, xii and xiii of the opinion).

2.4.8. The European Investment Bank has provided significant support for projects in eligible regions, focusing on loans for transport and telecommunications projects (42 % of the total), energy projects (15 %), and environment projects (13 %). The cohesion countries have made relatively little use of the EIB, which raises the question of the lack of coordination between Structural Fund and EIB support.

2.4.9. There are a number of reasons why it is not easy to assess the results of structural aid in the various eligible regions: the lack of basic data (e.g. macroeconomic data for regions outside the cohesion countries); the various possible assessment methods (input-output models and aggregate demand models); the difficulty of separating the effects of the structural policies from those of economic policies in general (as the report acknowledges when it states that the structural policies have helped to alleviate the impact of the recession); and the impossibility of judging what the situation would have been if the additional investment had not been made. All these factors should lead the Commission to be very cautious when presenting results.

2.4.10. The concentration of structural spending in regions with lower GDP or income levels has had a positive redistributive effect in terms of cohesion, as can be seen from the Lorenz curves, which are more marked in Objective 1 than in Objective 2 regions and more marked for the 1989-1993 period than for the 1994-1999 forecast.

2.4.11. Economic growth in the four countries eligible for the Cohesion Fund has also been positively influenced by Community transfers. The Commission's estimates suggest that GDP grew by an additional 0,5 percentage points per year during the period 1989-1993. This means that without Community transfers from the Structural Funds and the Cohesion Fund, these countries would have had an average growth rate of 1,7 % per year, instead of the 2,2 % which they actually had; in other words, their growth rate would have been below the EU average. For the period 1994-1999, it has been estimated that their growth rate could be 3,2 % instead of 2,6 %. Unfortunately, the Commission has not provided comparable estimates for the regions eligible only for the Structural Funds but not the Cohesion Fund.

2.4.12. Overall, the report also confirms that around a quarter of the sums transferred to the four cohesion countries returns to the other, more developed Member States in the form of supplies of equipment and 'know-how'. It is estimated that this percentage could rise to 35 % in 1999. The considerable improvement in living standards and consumption patterns in the cohesion countries has also boosted intra-EU trade, thereby increasing economic activity in the countries which are net contributors. The report does not consider that the net transfers received by the cohesion countries have increased less, or even fallen, because of the higher payments which these countries are making to the EU budget thanks to the improvement in their incomes and VAT payments.

2.4.13. With reference to the delivery system used for structural assistance, the report rightly mentions the administrative reorganization introduced by some Member States, and the spread of the programming approach and of ex-ante and ex-post evaluation which formerly was not standard administrative practice. In practice, however, the Commission is still reliant on the Member States for these evaluations, and the results now presented are based on ex-ante evaluations. It would be helpful if the Commission could adopt more effective evaluation methods and prepare the evaluation of the present programming period more satisfactorily. The Commission could use the methodology developed for the Cohesion report as a basis for the evaluation which it will make prior to the next programming period.

2.4.14. More generally, the report fails to address the criticism made by beneficiaries concerning the increase in red tape and the constant delays caused by the programming process and by the methods for deciding eligibility, as well as the responsibility of different funds for different forms of expenditure. Payments too are constantly delayed, partly because the project-approach has been replaced by the programme-approach. In this interim review of cohesion policies, the Commission should have taken the opportunity to propose ways of simplifying procedures and speeding up the decision process.

3. Outlook and conclusions

3.1. Neither in 1988 nor in 1993 did the reorganization of the number of the Structural Funds occur, even though this had been made necessary by the radical changes in the approach, principles, priorities and guidelines of structural policies. The retention of the three Structural Funds and the creation of the Financial Instrument for Fisheries Guidance and the Cohesion Fund, taken together with the amendments made to the regulations, complicated rather than simplified the process, and diluted responsibility for implementation. Despite efforts to make relations between the Member States and the Commission clearer and more transparent, there are still many grey areas and areas of potential conflict, for instance when determining the eligibility of expenditure on projects that have already been approved or when checking additionality or actual expenditure. The final beneficiaries are in an even worse position, as they find it difficult to find their way round the multitude of interposed or overlapping programmes without effective coordination at regional level. The case of Ireland, where the socio-economic partners and local authorities participate fully on the monitoring committees, shows that more effective implementation of the Structural Funds is possible. The Committee would also draw attention to the Swedish model for Objectives 3 and 4. Objective 3 projects must be approved both by the Objective 3 regional committee, on which the social partners and other economic interests are represented, and by the regional authority responsible for the employment market. A similar system applies for Objective 4. This 'double veto' model has proved able to provide soundly grounded decisions and has created conditions conducive to effective projects. In this connection the Committee would stress its view that vertical and horizontal partnership can be deepened further and made more effective through the greater involvement of local levels and the economic and social partners. It provides an essential link between Community structural assistance and the readiness of

citizens to accept and make targeted use of this aid for concrete development work in the Community's regions. Technical assistance should be used more than in the past to support partnership and extend the expertise of the parties involved. The Committee reaffirms the Commission's view that the further development of partnership is of far-reaching importance for the development of Union citizenship and of democracy and solidarity.

3.2. Matching the objectives, resources, activities and procedures of the structural policies and Structural Funds should be a central concern for the next programming period. EU regional policy is not merely a matter of redistributing income, and should not be decided by centralized planning that is remote from local and regional circumstances. Greater autonomy in the implementation of measures, inter alia with the participation of the socio-economic partners, should be conditional on the efficacy of the measures concerned, with the optimum use of Community resources being rewarded. The degree of financial decentralization of this policy is important. However, if the present procedures — which the Commission itself admits are 'overly complex' — are retained, efforts to decentralize will be doomed to failure. Current procedures need to be radically altered. The next reform of the Structural Funds should take a more radical approach than in the past. This is the only way to create the right framework conditions for simplifying procedures effectively and making the actions financed by the funds more transparent. There is very little scope for simplifying procedures if the present framework, with its large number of funds and programmes, is retained. Here structural objectives and funds must be rationalized and limited in line with the need to ensure that the priority assigned from the very start to the less-favoured regions, where there is a massive concentration of unemployment, remains politically high profile. Resources must be targeted to optimize the impact in terms of development and employment by localizing aid as much as possible, and administrative procedures for access to Structural Fund aid must be simplified.

3.3. If the present legislative framework is retained, a redefinition of the objectives in order to concentrate Community support could significantly alter the eligible regions and run the risk that proposals would be geared solely to budgetary austerity criteria. Some less devel-

oped regions — for instance, the capital-city regions of Objective 1 countries — already exceed the specified thresholds. An interim solution must be found for such regions, if the results already achieved are not to be jeopardized. If the eligibility thresholds remain the same, the population covered by Objective 1 might be greatly reduced; with the same per capita support this implies a wider dispersion of financial assistance, and would have an impact on defining the other objectives and on setting Structural Fund assistance for the next programming period. The opportunity should be taken to reconsider the number of Funds and adjust them to structural policy objectives and priorities. Article 130d of the Treaty already provides for the possibility of 'grouping' the Funds.

3.4. As a first approach for purposes of discussion, the Committee proposes that the objectives be reduced to two broad objectives. Broad objective A would be aimed at strengthening economic cohesion and 'reducing the disparities between the levels of development of the various regions and the backwardness of the less-favoured regions, including rural areas' in line with the strategic objectives stated in art. 130A of the Treaty. It would be geographically based, and would incorporate the specific economic aims of the current Objectives 1, 2, 5b and 6 for the areas which meet the appropriate criteria and would also embrace spatial planning, urban problems and interregional cooperation. Broad objective B (social cohesion) would not be geographically based and would cover the current Objectives 3 and 4, and various Community initiatives and programmes, such as those aimed at equal opportunities making it possible, in particular, to improve the position of women in the labour market, and the fight against social exclusion.

3.5. The existing funds could be replaced by two, one for each of the above broad objectives. This would solve the procedural and administrative problems caused by the simultaneous application of several objectives and funds in the same geographical area. The first fund would operate only in Objective A regions, even in the case of schemes to promote social cohesion and solidarity. The dissemination of good practice should be improved so that the beneficiaries of social cohesion measures could draw on the most successful schemes supported by the other fund. Steps would have to be taken within the Commission to ensure that existing

knowledge and experience regarding both the social/training objectives and integrated rural development are also applied to the first broad objective. Similarly, the number of Community initiatives should be reduced, with the successful measures being incorporated in the regular activity of the Fund; there should be greater regional concentration of the Fund support and more differentiation between regions in the measures applied; and subsidiarity should be enhanced particularly by forging closer cooperation between local authorities and the economic and social partners.

3.6. The aim must be to make Community support more consistent and to improve coordination between Commission departments. This in turn would improve coordination in the field. Within each broad objective, the rates of Community support should be graduated so as to cater for the special circumstances and degree of underdevelopment of each region, and the relative prosperity of the respective Member State. The less developed Member States which are less able to support adequate economic and social cohesion programmes should gain extra resources through transfers as part of the overall Community budgetary processes to enable them to determine their priorities within the agreed Community cohesion policies. These graduated rates would also ensure that the regions with the characteristics of Objectives 1, 2, 5b and 6 would continue to qualify for Community support for their economic difficulties, and that the less developed regions (Objective 1) would still receive the lion's share of this support.

3.7. In its opinion on the future of cohesion and the long-term implications for the Structural Funds (CES 246/96 of 28 February 1996, rapporteur: Mr van Dijk), the Committee analysed the impact of enlargement, EMU and the position of the Member States. The Committee argued that Structural Fund resources should be increased and made more efficient, and called for the establishment of instruments, based on a radical reformulation of the Phare programme, 'aimed specifically at promoting the economic and social development of the CEEC as they approach membership and beyond. Otherwise there is a risk that economic and social cohesion between the present Member States will widen' (point 5.3, xi of the opinion).

3.8. The challenges facing Community policy require a political will to create and/or reformulate instruments and adjust resources to the scale of the problems to be tackled. Economic cohesion, social cohesion and

enlargement are challenges facing the EU. The instruments for tackling each of these challenges, and the corresponding budgetary appropriations, must be commensurate with the nature of the measures to be carried out and with Community principles. ESC opinions have argued that aid to boost cohesion within the EU must continue, and that the poorer Member States do not have the means to help their poorer regions and should therefore benefit from Community support as a matter of priority. Hence priority for the less developed regions must be reaffirmed. The Committee will draw up a separate opinion on the practical proposals for the reform of the Structural Funds which the Commission is to issue after the end of the Intergovernmental Conference.

3.9. More generally, practical experience in the field — which is not fully reflected in statistics — suggests that the Structural Funds are not equipped for the radical changes facing the business world and society as a result of the advent of the information society and the learning society, economic and financial globalization, and the

rapid development of new technologies. The new economic environment calls for speedy decisions, but the present procedures and decision-making and payment timeframes are not conducive to this.

3.10. The Committee welcomes the significant advances made in the analysis and policy debate on cohesion policies made in the First Report on Economic and Social Cohesion. Whilst much progress has been made, the report confirms the benefits to be obtained by stronger and better coordinated policies in the Community alongside the evolving policies within the remit of the Member States. Although much of the past debate has been about the role and functioning of the Structural Funds and the Cohesion Fund and there are strong arguments to sharpen the design and functioning of these Funds, perhaps the most important feature of this report is the explicit integration of a range of Community policies into the debate about the drive to ensure stronger cohesion. The Committee will take every opportunity to contribute to this debate and to commend measures to make better cohesion a realizable goal.

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on the 'Communication from the Commission on The nuclear industries in the European Union (An illustrative nuclear programme according to Article 40 of the Euratom Treaty)'

(97/C 206/17)

On 27 September 1996, the Commission decided to consult the Economic and Social Committee, under Article 40 of the Treaty establishing the European Atomic Energy Community, on the above-mentioned communication.

The Section for Energy, Nuclear Questions and Research which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 April 1997. The rapporteur was Mr Lyons.

At its 345th Plenary Session (meeting of 24 April 1997), the Economic and Social Committee adopted the following opinion by 101 votes in favour, 18 against and 11 abstentions.

1. Introduction

1.1. Under the provisions of Article 40 of the Euratom Treaty, the Commission, after having obtained the opinion of the Economic and Social Committee, 'shall periodically publish illustrative programmes indicating in particular nuclear energy production targets and all the types of investment required for their attainment'.

1.2. Since the Euratom Treaty was adopted, three illustrative programmes have been published by the Commission in 1966, 1972 and 1985 (updated 1990). At the time of this update the Commission considered that the 1985 guidelines for the future development of the nuclear industry were mostly still valid, but should be adapted to take account of the prospects opened up by the single market and the measures to be taken to complete it in this sector, with due regard for the specific characteristics of the nuclear market and the problems faced by the companies concerned.

1.3. These priority measures concerned the market in equipment and components for which, according to the Commission, the creation of a genuine common market was necessary to reduce investment costs and improve the competitiveness of the nuclear industry.

1.4. It was not until eleven years later, in connection with the White Paper on an Energy Policy for the European Union⁽¹⁾, and against the background of a much changed energy situation and organization of the energy market in the EU, that the Commission has again carried out a fundamental review of the role of nuclear energy. In its document, the Commission considers its role against the three objectives it had set out in its white paper — i.e. global competitiveness, security of supply, and protection of the environment.

2. The Commission's communication

2.1. The Commission's communication reviews the state of the nuclear industry within the European Union

in the mid 1990s. More than 140 nuclear reactors are operating in Belgium, Germany, Spain, France, the Netherlands, Finland, Sweden and the United Kingdom. They provide approximately one-third of the electricity generated within the European Union. They are part of a well established nuclear industry covering the entirety of the fuel cycle, with its own technological base and, on the industry's figures, employing more than 400 000 mainly highly qualified staff.

2.2. Nevertheless, nuclear generated electricity creates a significant level of public concern. There is thus an acceptability problem, and it derives particularly from concerns on nuclear safety, about the transport and disposal of nuclear waste, and about nuclear proliferation.

2.3. The Commission's communication examines the operation of the nuclear industry across the range of activities in which it is involved. It considers its production costs, including its decommissioning, fuel, waste disposal and storage costs, and estimates the extent to which it is competitive with other sources of electricity production. It refers to its contribution to exports, to qualified indigenous employment within the EU, and to innovation and technical development. It notes that its investments are inherently long term.

2.4. The document goes on to discuss security of supply and the contribution nuclear power can make to this. It deals with the protection of the population and the environment, and has a special section on the nuclear safety problems of central and eastern Europe and of the CIS. However, the Commission does not feel confident about making predictions about the amount of electricity which will be generated by nuclear power beyond the year 2000.

2.5. The Commission's communication goes on to examine the business opportunities available to the European industry, the conditions of nuclear fuel supply,

⁽¹⁾ COM(95) 682 final of 13 December 1996.

the technological challenges of nuclear safety, and questions relating to spent fuel, nuclear waste and decommissioning, to the transport of radioactive materials, the use of plutonium, and the future of nuclear technology, research and development.

2.6. In reaching its conclusions, the Commission proposes that the following principles should be adopted by the European Union to provide a framework for a continuing contribution by nuclear energy to the supply of electricity:

- the right to decide to develop or not the peaceful use of nuclear energy, belongs to each Member State;
- the choice made by each Member State has to be respected;
- Member States having chosen to use nuclear energy need, in parallel, to ensure a high degree of nuclear safety, respect non-proliferation requirements as provided for in relevant international agreements, as well as high level of human health protection;
- while it is individual Member States who are responsible for setting safety standards and licensing nuclear installations, and national operators who are responsible for their safe operation, both share the collective responsibility towards all European citizens for ensuring nuclear safety.

3. Comments on the Commission's document

3.1. The Committee welcomes the publication of the Commission's Draft Illustrative Nuclear Programme⁽¹⁾. For several years, despite the fact that nuclear generation produces one third of the EU's electricity, and avoids annually the emission into the atmosphere of 700 million tonnes of CO₂, the Commission has had little to say, either about its potential or its problems. This document opens up the debate about the industry's future which is so badly overdue. The Committee hopes that this opinion will serve to stimulate that debate.

3.2. Given the widely different views about nuclear generated electricity among the Member States, the Committee is pleased that the Commission has succeeded in producing a balanced and qualified document which reflects the complexity of the issues involved. Two features in particular of the Commission's document may be noted at this point. First, while not hostile to the utilization of nuclear energy, the Commission discusses its merits and demerits from different viewpoints without taking up a definitive position. Second,

the Commission has taken, as its basic premise, that each Member State has to be free to make its own choices about the fuels employed in the production of electricity on its territory.

3.3. One outcome of the Commission's approach, therefore, may well be to encourage a better informed, and perhaps less ideological, discussion about the pros and cons of nuclear energy among the citizens of the European Union. If so, that will be a valuable benefit.

3.4. Article 1 of the Euratom Treaty, signed in 1957, states:

'It shall be the task of the Community to contribute to the raising of the standard of living in the Member States and to the development of relations with the other countries by creating the conditions necessary for the speedy establishment and growth of nuclear industries.'

3.4.1. How greatly the economic and political environment has changed since 1957 is exemplified by the quite different language used in the Commission's document today. Thus, nuclear energy will have to be judged according to the aims of 'overall economic competitiveness, security of supply and environmental protection' (Chapter II, page 4); Further, 'nuclear energy will have to compete in the same framework and under the same conditions as all other energy sources' (II 1(b), page 7); and again, 'the Union's objective today is to let market rules play their role' (IV 2, page 18). Thus, the context in which nuclear energy has to be considered in 1997 is altogether different from that in which it was first considered forty years' ago.

3.5. Turning to the detail of the Commission's document, the pages dealing with the economics of nuclear energy in Chapter II 1(a), pages 5 and 6, are disappointing. Clearly, the Commission has been handicapped by the absence of relevant up-to-date published information. The dates to which different figures quoted in the document relate vary adventitiously between 1990 and 1993. Fuel prices have changed absolutely and relatively in the years since, while exchange rates as well have varied. It is unfortunate, but Table 3, which offers generalized comparisons between the costs of electricity production from coal, gas and nuclear generation, cannot offer a useful guide to the economic choices actually facing electricity generators currently considering investment options.

3.6. In places, the Commission would have done better to have imparted more information. For example, under Chapter II 1(d), on pages 11 and 12, it lists the different things that were agreed in consequence of the

⁽¹⁾ Referred to in subsequent text as the Commission's 'document'.

1992 'New Partnership Approach', but fails to indicate any single concrete improvement which has followed from it. At Chapter II 3(e), on pages 15 and 16, and at Chapter V 3, on page 20, the Commission writes of the technological problems of nuclear safety. The intentions of relevant past agreements are stated, but no indication is offered as to whether any specific progress has actually been made in any one of the areas referred to.

3.7. It would have been particularly valuable to have been given more information about the treatment of radioactive waste, an area of activity about which the public continues to sustain misgivings. The Commission (II 3(d), on page 15) refers positively to a strategy it adopted in 1994 and it lists the main issues which it believes most interest the public. But it says nothing about what is happening, or may be expected to happen, having adopted its strategy. On the related subject of the transport of radioactive materials, however, the Commission rightly draws attention to the safety with which this activity has consistently been accompanied (V 5, page 22).

3.8. The Commission's approach is more forthcoming in other parts of the document. For example, where the assistance made available to central and eastern Europe and to the CIS is discussed (Chapter III, on pages 16 and 17), the Commission gives at least an indication of the actions being taken as a consequence of the EU's financial assistance to the nuclear industries in these countries. Even so, some indication of the scale of the problems being tackled (so that the dimensions of the EU's financial assistance can be seen in context) would have been a relevant improvement.

3.9. The general point is this: it is important to demonstrate to the EU's population not only that relevant resolutions, agreements, Treaties, etc. are adopted in key areas of nuclear energy activities, but that identifiable measures are worked out and put into practice in consequence — as indeed, in reality, they are. It does the Commission a good deal less than justice for it to leave the impression that important agreements in principle have no practical impact which can be described.

3.10. Chapter V is perhaps the most positive in the Commission's document. It is here that the Commission urges the nuclear industry to seek markets overseas for civil nuclear energy ventures while emphasizing, at the

same time, the importance of spreading the safety culture which has been established within the Union.

3.11. On the key matter of safety, the Commission welcomes the international convention on nuclear safety drawn up within the framework of the International Atomic Energy Agency (IAEA). This has now been formally ratified by enough signatories to give it full international legal status⁽¹⁾. The Commission supports IAEA plans to draw up an international convention on the management of radioactive waste. In this latter connection the Commission also records its support for cooperation programmes for the safe storage of fissile material released by the dismantlement of nuclear weapons, its peaceful use and its safe and secure transportation. The Commission records its commitment of ECU 555 million for projects in the central and eastern European countries (CEEC) and the CIS between 1991 and 1995, and its intention to allocate similar average annual budgets for similar purposes over the period 1996-1999. The Commission must be applauded for putting its weight behind these major safety related activities, as well as others not here identified individually.

3.12. There are two areas of information missing in the Commission's document which the Committee would like to see addressed in the final version of the Illustrative Nuclear Programme. These are information: (i) as to where responsibilities are placed as between the EU and Member States for the operation of the different aspects of nuclear generation and its related activities; and, (ii) about any significant technological or organizational developments in recent years in the handling and disposal of nuclear waste.

3.13. In its concluding section (VI), the Commission hints at the possibility of further things. There 'may be' a future 'review of nuclear energy alongside other alternatives'; there 'will be' future discussions about the

⁽¹⁾ On the subject of the IAEA's convention, the Committee noted in its opinion on the Energy Charter Treaty of 26 October 1995 (OJ No C 18, 22. 1. 1996, p. 146) that the convention does not cover the non-proliferation of nuclear weapons (or the safeguards of nuclear material related to this), or the physical protection of nuclear material, or civil liability for nuclear damage on an international scale, or the safe transport of radioactive materials and waste. It had been the intention of the architects of the Energy Charter Treaty to provide legally binding rules covering those aspects of nuclear activity in the Charter itself, but when this turned out to be impracticable, the Committee urged that these additional aspects of nuclear safety should in time be incorporated in the IAEA's convention (see par. 2.2.5.5 of the opinion). The Committee looks to the Commission to give active support to this proposal.

role of nuclear energy if 'circumstances confirm an ever increasing dependency on fossil fuel imports'. Such suggestions only beg the question as to why these matters were not properly addressed in this review, since the relevant information is already available from the Commission's own sources. The principles set out at the end recognize the status quo and must represent the most that can be agreed to at present. The Committee supports them.

4. Does nuclear generation have a future in the EU?

4.1. The Commission's document opens up a number of issues of wide, indeed critical, significance for the future energy supply of the European Union. For the nuclear industry itself, the document raises clearly the question of whether it has an operational future within the Union much beyond the lifetime of the existing plants. It is not by accident that the Commission offers no forecasts for nuclear generation beyond the year 2000.

4.2. It may seem strange to express such a doubt. The Commission reports the industry's assessment that it is the direct and indirect employer of 400 000 mostly well qualified people. The industry produces economically 33 % of the Union's electricity⁽¹⁾ ⁽²⁾. To do so it consumes a fuel that has no other peaceful utilization, thus saving other fuels which have valuable actual or potential alternative uses⁽³⁾. Each and every year it saves Europe as a whole the emission of some 700 million tonnes of CO₂ in comparison with the same output of

electricity produced from a mix of fossil fuels⁽⁴⁾. It is a fuel which has the potential capability, provided that fast reactor technology can finally be mastered on a commercial basis, to reproduce itself and thus extend its utility to society indefinitely into the future.

4.3. Notwithstanding these considerations, however, the future of the nuclear industry within the Union is in doubt and for three principal reasons.

4.4. First, the industry suffers from the handicap of widespread public unease, not excluding outright hostility. The chief explanation for this is almost certainly a fear of another Chernobyl scale reactor disaster. This spewed into the world's atmosphere large quantities of radiation, and rekindled a latent deep-seated concern about the nature of radiation which many people have. But anxieties exist also because of the continuing inability of the industry to find a solution to the problem of the treatment and disposal of nuclear waste, particularly high level waste, which the public at large would find acceptable. This background of public unease has a pervasive influence on decisions in the energy field directly or indirectly affecting the nuclear industry, and can be strongly inhibitive in its effect.

4.5. The second and third reasons for doubt about the industry's future are respectively, the adoption by the European Parliament and the Council of the Directive⁽⁵⁾ laying down that henceforward the generation of electricity is to be opened up to the operation of market forces, and the arrival on the market during the last few years of competitively generated gas in increasingly large quantities.

4.6. Opening generation up to market forces is a key development. In the greater part of the EU, the generation of electricity has taken place up to now in the context of guaranteed access to defined national and/or regional markets⁽⁶⁾. This has facilitated capital intensive, and therefore long term investment. It will take more than a few years for electricity markets to be opened up

(1) This is equivalent to approximately 14 % of the EU's total energy demand (see par. 104, on page 51, of the 1995 Commission Green Paper — For a European Union Energy Policy — COM(94) 659 final).

(2) Nuclear energy provides one third of the EU's electricity, but is produced in only eight of the fifteen Member States — viz. (in descending order of nuclear megawatt capacity: France, Germany, UK, Sweden, Spain, Belgium, Finland and the Netherlands). However, it is supplied to all Member States with high voltage interconnections with other Member States.

(3) 1 kg of firewood produces about 1 kWh of electricity, 1 kg of coal about 3 kWh, 1 kg of oil about 4 kWh, 1 kg of natural uranium about 50 000 kWh, and 1 kg of plutonium about 6 000 000 kWh — Hans Blix, Director General of the International Atomic Energy Authority, speaking at the Second Philippine Nuclear Conference in Manila on 10 December 1996.

(4) II 3(b), p. 13, of the Commission's document. In 1995, energy related CO₂ emissions in the EU totalled 2 950 million tonnes, of which solid fuels accounted for 874 million tonnes, oil for 1 455 million tonnes, and natural gas for 621 million tonnes. (from 'Energy in Europe: 1996 Annual Energy Review', published by the Commission in September 1996). Slight discrepancies occur due to the rounding of the published figures to the nearest million tonnes.

(5) Directive of the European Parliament and the Council of 19 December 1996 concerning common rules for the internal market in electricity — OJ No L 27, 30. 1. 1997, p. 20.

(6) This has not been so in Finland, where nuclear power plants have been built and operated in open markets. This has been facilitated by long term agreements between the two nuclear generating companies and process industries. The UK began to open up its electricity markets to competition in 1991 and the process is due to be completed in 1998.

completely⁽¹⁾, but from now on no generating company will be able to plan its investment in new plant on the assumption that it has a secure protected market for its output on a long term basis. Power companies will have to be competitive without any market privileges or direct or indirect support.

4.7. Attitudes to investment in the different generating technologies, including of course coal, are bound to be affected by this major change in circumstances. It is, however, on the nuclear industry that the new market dimension will have the most striking effect, for it is by some margin the most capital intensive of the major generating technologies⁽²⁾.

4.8. An enlarged market must, of course, be seen for what it is, as an opportunity, not a restriction. However, before the fruits of an open EU-wide high voltage market become readily available, it will be necessary to develop enlarged interconnections between most Member States, as well as a genuine EU high voltage grid into which generators can sell in large quantities over time. There is likely to be a transitional period, therefore, of some considerable length, perhaps to be measured in decades rather than years.

4.9. The third reason is the arrival on the scene in recent years not only of increasing quantities of natural gas, the price of which, overall, has been falling, but additionally and crucially, also of modern CCGT gas generation technology⁽³⁾. The advantages of CCGT technology were well explained in an analysis by the OECD, which reported that 'CCGT technology enjoys low capital costs, short construction times, low requirements in terms of land use and high modularity — that is, economies of scale are not significant above a certain

level and generating capacity can be expanded in relatively small tranches'⁽⁴⁾.

4.10. CCGT generated gas may or may not produce lower priced electricity than nuclear generation, though in general it is expected to do so during the next few years. It will depend, of course, on numerous factors, and will differ in different countries and at different times. But when it comes to investing in new generation in a market context, then, for the reasons stated above, where gas is available and its price remains competitive⁽⁵⁾ it will have a decisive advantage over nuclear power — and probably over all other fuels and/or technologies also⁽⁶⁾. Public opinion will support the choice of gas as against nuclear generation, and even against other alternatives⁽⁷⁾.

4.10.1. It is not possible to forecast how long this conjunction of circumstances is likely to last. It seems reasonable to assume that it will form the predominant pattern in the next 10 to 15 years but beyond that it is difficult to see. That, of course, is a prime reason for the EU maintaining flexibility of fuel availability, and for having a security of supply policy.

(1) In the Directive referred to at footnote 5, p. 91, the share of the electricity market which will be opened up initially to competition will be that part of it in which individual consumers consume more than 40 Gigawatt hours of electricity (GWh) a year. Over a six year period the size of the competitive market will be increased so that all are embraced who consume 9 GWh or more. In due time, the possibility of a further opening of the market, to be effective nine years after the Directive entered into force, will be considered.

(2) See table 3 in the Annex of the Commission's document. Of course, renewable generating technologies are for the most part also highly capital intensive but, hydro power apart, these are not yet established as mainstream generating technologies.

(3) CCGT stands for Combined Cycle Gas Turbines. These have raised the efficiency (electricity produced per unit of heat) of gas generation to some 60% compared with percentages in the higher 30s, which are still the norm with existing coal and nuclear generation.

(4) From 'Projected costs of Generating Electricity — update 1993 (p. 143)', published by OECD Nuclear Energy Agency/International Energy Agency.

(5) Natural gas is available in either ample or reasonable quantities to Germany, Italy, the Netherlands, Spain and the UK, although the extent of its detailed distribution in each of these countries varies considerably. Some gas is available to Austria, Belgium, Denmark, Finland, France, Ireland and Luxembourg. Greece, Portugal and Sweden are, so far, without gas.

(6) The situation has recently been summarized as follows: 'To build a 1 000 Mw nuclear power station would cost about £3 billion and take up to 80 months to construct. A gas-fired power station of similar size would cost about £400 million and take less than 24 months to build. Until there is a fundamental shift in prices, the case for nuclear power will not get a hearing' — Simon Holberton, Financial Times (London), 2.12.1996. It should be added, however, that the figure of £3 billion refers to the 'one-off' build of Sizewell B in the UK. While the point of Mr Holberton's comment remains just as valid, nuclear stations built in series in other countries would cost rather less, in some circumstances perhaps even half — see table 8 of 'Projected Costs of Generating Electricity', 1992 update, published by the OECD.

(7) For gas to be available to a population there needs to be not only a basic source of sufficient supply but also a modern infrastructure for gas transmission, and in some Member States the investment necessary to create this has yet to be made.

4.11. For the nuclear industry, the crunch will come in only a few years' time, when utility management and public authorities have to consider, and then begin to plan, their replacement strategy for plants due to be decommissioned in the years from about 2005-2010 onwards. It is difficult to see in which countries other than France, or possibly Finland, new nuclear plants might be built to replace retiring plants. Even in France doubts have been expressed as to whether new nuclear plant will be the favoured option after 2010⁽¹⁾.

4.12. If, from now on, only market principles are relevant, then unless there is a major change in relative prices, or in nuclear construction costs, or in public opinion, or possibly all three, the answer to the question at the beginning of this chapter is that, on current information, 'it is highly unlikely'⁽²⁾.

4.13. The Commission appears to have drawn the same conclusion. Hence its decision to offer no forecasts beyond 2000, and its encouragement to the industry to seek markets, but to do so overseas. However, this modest encouragement is of limited value. Without an active market at home, securing export growth is only too likely to become a fruitless exercise.

4.14. Such a major change in the balance of fuels utilized in electricity generation has implications that go

well beyond the boundaries of the industries themselves. In particular, they raise questions about the security of the EU's fuel supplies, and about its environment policy, where market forces alone are unlikely to solve the problems. These are strategic issues and they are addressed below.

5. Strategic issues

5.1. *An ever increasing dependency?*

5.1.1. The above question is to be found in the Commission's conclusion to its document (Section VI, p. 25):

'Future discussions as to the role of nuclear energy will be affected by whether circumstances confirm an ever increasing dependency of the Community on fossil fuels imports to meet future energy supplies.'

5.1.2. It is a curious question because it is known that the answer is 'yes'. The authority is the Commission itself as e.g. at II 2(a) on page 9 of its document, where it is stated that 'Europe will significantly increase its dependence on imported energy'. The further background on the world scene at II 2(b), pages 10 and 11 of its document, underpins this judgement.

5.1.3. Future projections of the energy scene are treated much more fully in another Commission publication 'European Energy to 2020' (hereafter referred to as EE 2020), published earlier in 1996. Extracts from its conclusions relevant to the question of future dependency are given in the Annex. On the central question of fuel imports, EE 2020 sums up its analysis by commenting that imports of gas, currently at 40 % of the EU's consumption, could reach 75 % by 2020; and that imports of coal, currently at 37 % of EU consumption, could be nearer 80 % by 2020⁽³⁾.

(1) Laurent Stricker, Deputy Director of EDF's nuclear power plant operations, told a Paris Conference on long term management of EDF's nuclear plants that in the new energy landscape being sketched in Europe today an investor looking to build generating capacity would not choose a nuclear plant since it would not be able to compete with a combined cycle gas fired plant in the generation of baseload power. Mr Stricker made it clear however that this did not apply to existing nuclear plants. Existing plants would be able to compete because the real cost of its generation is composed of operating and fuel charges, and reserves for spent fuel management and reactor dismantling. — (Reported in 'nucleonics week', 19. 12. 1996).

(2) In the UK, where liberalization and marketization were introduced in 1990/91, all new power station construction since then has been of the gas/CCGT type, and the coal industry has continued to decline. Nuclear power has held its own up to now, partly due to the capital costs of the older plants already having been written off. New nuclear project which, until recently, had been under consideration have been cancelled for the foreseeable future. In Energy Paper 65, 'Energy projections for the UK, 1995-2020', published by Her Majesty's Stationery Office in 1995, the possibility is projected of CCGT gas generation producing between 38 % and 55 % of the UK's electricity by 2020, depending on which of a number of possible scenarios turns out to be the most realistic.

(3) Cf. also the Commission's statement at par. 4.2 of its Green Paper 'Energy for the Future: renewable Sources of Energy' (COM(96) 576 final published on 11 November 1996), published shortly after the Draft illustrative Nuclear Programme. Observing that 'renewable sources of energy ... can make a strong contribution to improving security of supply' the Commission continues:

'Moreover, it is important to look beyond the energy needs of the Community. All forecasts show that the energy requirements of the developing world will significantly increase in the future, in particular in Asia. This could obviously affect global energy markets and supply constraints and price increases cannot be ruled out; Renewable energy can cut back some of the requirements for imported fuels'.

5.1.4. It was doubtless with this kind of scenario in mind that the Commission stressed the importance of fuel diversity in its White Paper on Energy Policy. The Commission's view, it wrote, is that 'at the sectoral level an important contribution to diversification can be made by ensuring that there is a diverse domestic fuel base, particularly for electricity production'. It refers to the 'increasing import dependency of the Community' and argues that 'in the interest of security of supply there is a strong case for keeping open all possible economic options' ⁽¹⁾.

5.1.5. The Commission's opinion, quoted in 5.1.1, that consideration of the problem posed by this ever increasing dependency, and the role of nuclear generation in relation to it, can be safely delayed is inconsistent with its own evidence as well as with the position it takes in its Green Paper on renewables, as already instanced in footnote 3, p. 93.

5.2. Security of supply ⁽²⁾

5.2.1. The point is that, due to its growing dependency on imported fuels for its generation of electricity, the EU as a whole has a prospective security of supply problem on its hands. (The position differs for, and as between, individual Member States). It is not a problem requiring a knee-jerk reaction, but it is one which is clearly foreseeable. It should certainly be addressed positively in this review of the role of nuclear generation.

5.2.2. In terms of prospective growth in imports, the two key fuels are coal and gas. EE 2020 estimates of future import growth of each have been given above. However, the significance of these forecasts to future security of supply differs sharply. About coal imports, the Commission stated in its White Paper ⁽³⁾ that 'the characteristics of the world coal market and the large diversity of suppliers mean that the risk of persistent interruption of supply, even in the long term, is minimal'.

5.2.3. The importation of gas is another matter. In Europe, gas is transported mainly by pipeline, which is a particularly vulnerable means of supply. In addition, a steadily increasing fraction of the EU's future supplies

will be drawn from more distant geographical areas. The EU will continue to receive supplies from the North Sea, the Netherlands and from Norway for many years to come but as EE 2020 observes:

'Incremental supplies will come substantially from the former Soviet Union and North Africa, although by 2020 it is possible that additional supplies may be available from Nigeria, Iran and elsewhere in the Middle East, either by pipeline or in the form of LNG.' ⁽⁴⁾

5.2.4. It is the steadily increasing fraction of the EU's future supplies which will be drawn unavoidably from geographical areas which are, or in future could become, politically unstable which gives rise to the prospective security of supply problem.

5.2.5. This issue is relevant to the consideration of the Commission's Draft Illustrative Nuclear Programme for three reasons: (i) gas fired generation is likely to be widely available to most Member States in the years after 2005, coinciding with the years in which much of the existing nuclear capacity will start to come up for replacement; (ii) nuclear generation has no comparable problems with the supply of its own fuel ⁽⁵⁾ and (iii) by virtue of producing 33 % of the EU's electricity, it has the potential to act as a major strategic stabilizing factor, and cannot be replaced in that role in the foreseeable future.

5.2.6. If, in the absence of the emergence of new technological or economic factors, nuclear generation is steadily replaced by gas fired generation from about 2005-2010 onwards, then the security of supply problem could start to assume major proportions, with possible implications for both the overall economy and even foreign relations.

5.3. CO₂ emissions

5.3.1. CO₂ emissions are first of all an environmental issue, but for the energy industries they are also a strategic issue, for some of them emit a lot of CO₂. Nuclear generation, like renewables, does not emit other than a minute amount of CO₂ into the atmosphere, and

⁽¹⁾ Par. 81 of the Commission White Paper 'An Energy Policy for the European Union' (see footnote 1, p. 88).

⁽²⁾ The phrase 'Security of supply' is used in this document in its strategic sense, i.e. in relation to external dependence on energy sources and the degree to which these can be relied upon.

⁽³⁾ Ibid. — Par. 78.

⁽⁴⁾ See Annex. Elsewhere, at page 80 of the report, EE 2020 comments that: 'The growing role of natural gas has particular geo-political implications. Increasingly it will be imported natural gas which will meet Europe's needs. The studies point to the need to transport this gas from ever greater distances from the European market, requiring the goodwill of increasing number of transit countries en route.'

⁽⁵⁾ See section V2 of the Commission's document.

its disappearance from electricity generation would make a very big difference.

5.3.2. At II 3(b), on page 13, of the Commission's document, CO₂ pollution is described as 'a serious threat'. At paragraph 4.1, on page 19, of its recently published green paper on renewable energy sources, the Commission writes that 'A significant limitation of the use of fossil fuels is required to ensure that the Community can meet its CO₂ targets contemplated in the Climate Change Convention.'⁽¹⁾ The green paper goes on to propose a doubling (from 6 to 12 per cent) of the contribution of renewables by 2010⁽²⁾.

5.3.3. The green paper predicts 'a reduction in CO₂ emissions of 386 million tonnes by the year 2010' as the outcome of adopting the above target, though a figure of 300 million tonnes is more apposite⁽³⁾. The latter figure itself would be a sizeable and welcome energy output without accompanying CO₂ emissions, but it has to be doubted how much of a saving it would actually make to the current production of CO₂ from conventional sources of power output, coal and gas. This is for the two reasons that (i) much the greater proportion of the proposed new programme on renewables would provide additional, not replacement energy⁽⁴⁾, and (ii) a considerable proportion of the additional electricity may not be suitable for feeding into the grid⁽⁵⁾.

5.3.4. These figures bring out the importance of nuclear generation to the campaign for CO₂ reduction. For it would require no more than about 30 % of the present nuclear capacity to have been closed by — say — 2015 (an entirely credible possibility) for the entire CO₂ reduction programme of the Commission's green

paper on renewables, assuming it to be wholly successful, to be counteracted⁽⁶⁾. It seems not too much to say that if nuclear generation largely disappears, as has been argued above that it will, then there is no chance that the EU can meet its international CO₂ targets, either now or in the foreseeable future.

5.4. *The Commission's responsibilities*

5.4.1. From the evidence adduced in the paragraphs above, it is clear that the EU has to anticipate a security of supply problem developing in the first decade of the next century. The EU already has a CO₂ problem. The loss of all or most of its nuclear generating capacity to gas generation in the years following 2005-2010 (see Section 4 above) would unavoidably magnify the already foreseeable security of supply weakness the EU will then have. And it would place a crippling handicap on the EU's efforts to reduce its CO₂ emissions. The Commission should, as a matter of urgency, initiate a debate on alternatives to this scenario, involving the economic players concerned and the Member States.

5.4.2. The Commission's document fails to make these issues clear, and it should have done. The subjects are discussed — e.g. security of supply at II 2(a) and in the Conclusion, and CO₂ emissions at II 3(b) — and allusion is made to the nuclear contribution in each case, but neither its central importance to the consideration of either problem, nor its importance to the EU's energy policy, is brought out.

5.4.3. To be specific, having, at II 2(a) on page 9 of its document, pointed out that Europe will significantly increase its dependence on imported energy, the Commission's comment is merely that nuclear energy 'would be particularly useful if...supply diversification deteriorates'. There is no hint here of the size or the nature of the problem which actually lies ahead, nor of the import-

⁽¹⁾ COM(96) 576 final.

⁽²⁾ Ibid. — Executive summary, p. 4.

⁽³⁾ Ibid — Par. 6.1. on page 31. There is however, an apparent discrepancy between the Commission's green paper figure of 386 million tonnes of CO₂ free emissions from 6 % of gross primary energy consumption (g.p.e.c.) contributed by renewables, and the figure of 700 million tonnes of CO₂ free emissions used by the Commission in its Draft Illustrative Nuclear Programme as being derived from nuclear generation's 14 % contribution to g.p.e.c. Assuming that the figure of 700 million tonnes for nuclear energy is correct, then the contribution of 6 % of CO₂ free renewables to g.p.e.c. is 300, not 386, million tonnes. The smaller figure is used as the basis for the comments in 5.3.4.

⁽⁴⁾ Ibid. — section 3 on page 19.

⁽⁵⁾ 'The availability of many of these (renewable) sources is perhaps 2000 hours per year, or 25 % of time' — from EE 2020, par. 2.2.3. of Part 3 on page 82.

⁽⁶⁾ The closure of 30 % of present nuclear capacity would reduce CO₂ savings by approximately 210 million tonnes a year. On the conservative assumption that it is replaced by CCGT gas fired generation, which produces the least CO₂ emissions from fossil fuels, this would produce an addition to CO₂ emissions of approximately 95 million tonnes a year. This latter figure is based on advice to the rapporteur by Fells Associates (Consultants in Energy and Environment Policy) that if the entire nuclear generation capacity of the EU were replaced by CCGT gas fired capacity with a typical efficiency of 52 %, the CO₂ impact would be an addition of approximately 323 million tonnes a year.

ance of nuclear generation in seeking to deal with the problem, whether in a positive or a negative sense.

5.4.4. It is the same with the Commission's treatment of CO₂. Few people could glean from the terse wording of II 3(b) alone what the consequences will be for the EU's CO₂ reduction programme when the EU no longer contains a sizeable nuclear generating capacity.

5.4.5. Almost certainly the Commission's equivocation on these two key points is due to its perception of the nuclear industry's public acceptability problem; and to its need to arrive at a consensus view. But the Commission's failure to confront these two issues plainly is nevertheless a serious omission.

5.4.6. It is true that the Commission — indeed, the EU — has only limited powers to ensure or even promote security of supply. But Member States are better equipped. They now have the ability to invoke powers under the new Directive introducing common rules for the internal market in electricity (see footnote 5, p. 91). The primary intent and effect of this Directive is to open the electricity market to competition. But in addition Article 3(2) states *inter alia* that:

'Member States may impose on undertakings operating in the electricity sector, in the general economic interest, public service obligations which may relate to security, including security of supply, regularity, quality and price of supplies and to environmental protection.'

5.4.7. Such public service obligations have to 'be clearly defined, transparent, non-discriminatory and verifiable', and must be published. In addition, Member States who wish to do so may introduce long term planning as a means of carrying out their public service obligations. The outcome is that Member States now have the right to safeguard security of supply (among other things), if they think it necessary, subject of course to the appropriate procedures. The Commission is able to offer advice, and doubtless on strategic energy policy issues it will do so.

5.4.8. As regards CO₂ emissions, the Commission has the power to propose and the Council has the power

to act, should they believe there to be a need, as e.g. under the terms of Article 130s of the Treaty⁽¹⁾.

5.4.9. When it comes to review its Draft Illustrative Nuclear Programme, the Commission needs to reach a clear decision, in each case, as to whether safeguarding security of supply, and reducing CO₂ emissions are still key policy objectives. If the Commission decides that they are (its public position up to now), then it has the duty to state clearly in each case what the implications for the success of the policy are: a) if a large nuclear generating component remains available to the Union, and b) if it does not.

5.4.10. On the basis of its conclusions, whatever they might be, the Commission will then be in a position to give clear guidance to all the major actors involved, and not least to the public at large, about the realities of the choices ahead, and of the extent to which it may or may not be desirable to seek to influence the course of events which, on present knowledge, are to be expected.

6. Nuclear safety in the central and eastern European countries (CEEC) and in the States of the former Soviet Union (FSU)

6.1. The Commission comments on the potentially dangerous parts of the nuclear industries in the CEEC and FSU States in Chapters III and V of its document. It describes briefly the main types of technical assistance that have been made available by western countries, including the assistance provided under the Phare and Tacis programmes.

6.2. There should not be any doubt that were there to be another major nuclear accident, the effect on public attitudes to the continuing activity of the EU's nuclear industry would be deeply damaging. It might even trigger political decisions to phase out the EU's own nuclear industry as soon as practicable, irrespective of any other considerations, with all the costs and economic dislocation which would be involved. A particularly acute problem is the unstable state of the Unit 4 Sarcophagus at Chernobyl, which is reported to need urgent attention.

⁽¹⁾ Under the terms of Article 130s, par. 2, of the Treaty, (...), 'the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, shall adopt (...) measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply.'

6.3. Nor are the dangers limited to the civil nuclear industry in these countries. Public alarm could as easily be engendered by an event in the military nuclear arsenal of some of the States which were part of the former Soviet Union. It has been widely reported that, in places, inspection and maintenance standards have declined dramatically.

The Tacis and Phare programmes require priority review.

6.4. The Phare and Tacis programmes do not touch these latter issues, and though the sums spent on the conventional nuclear safety issues seem large viewed in the abstract, in relation to what is required they are small. The programmes which have been put in place have undoubtedly done good work but they are now the subject of growing criticism as to their real effectiveness. They have been what their title describes — i.e. programmes of technical assistance — much more than they have been anything else. They have been concerned primarily with such things as technical advice, training, writing manuals, advice on setting up systems, etc... Very little hardware has been provided.

6.5. There have been entirely understandable reasons for the lack of hardware support but it has nevertheless been a deficiency, and it is highly desirable that it should begin to be remedied, if at all possible. It needs to be fully appreciated, however, that the derelict economies of some of the countries involved have been a huge handicap to the provision of adequate external assistance.

6.6. An important factor underlying criticism of the various technical assistance programmes is that, so far as the Committee is aware, the Commission has not yet undertaken a serious evaluation of the programmes. What has been achieved, how much safety has actually been improved, how well have the political, financial and administrative arrangements worked, and what should be the future priorities? These are the kind of questions which need to be asked.

6.7. There is no doubt that making such evaluations on an objective basis is very difficult. The Committee believes nevertheless that the technical assistance programmes will continue to lack public credibility until a serious study of their impact has been undertaken. The Committee strongly urges the Commission to undertake just such a study as a matter of priority, and then to publish the results.

6.8. The Committee also asks the Commission to consider whether assistance can be offered to some of the dangerous military installations, since a serious nuclear accident at any of those could have just as

serious consequences for the Member States and people of the EU as one anywhere else.

6.9. The Committee would draw the Commission's attention to the particular significance to the EU of the work to improve the safety of nuclear plants in central and eastern Europe, and in the New Independent States of the FSU. While this is a matter for the international community generally, it should be noted that a number of nuclear plants have been built in the immediate vicinity of EU Member States. Some of these nuclear plants will become EU plants if and when the first central and east European countries join the EU early in the new century.

6.10. The implications of this development will need to be considered in the course of the bilateral accession negotiations. Negotiations should start without delay about bringing these plants up to EU safety standards.

6.10.1. There is a further point. The process of assimilation could lead to the establishment of agreed norms or standards for Soviet built plants in the territories of the new Members of the EU. If so, this could affect the public perception of the safety or otherwise of plants in other countries which are not expected to become Members of the EU, and which might not consider it necessary to adopt the same EU agreed standards.

6.11. Finally, the Committee believes that securing the safety of nuclear installations in the CEEC and the FSU States, is so important that it should form, in a suitable wording, one of the principles which should be added to those listed by the Commission in the conclusions to the final version of the Illustrative Nuclear Programme.

7. Next steps

7.1. The Commission will have to decide comparatively soon whether to recommend strategic interventions relating to nuclear generation if the EU is to implement its policies in relation to security of supply and reducing CO₂ emissions. It is already considering such steps, on behalf of these same two policies, in relation to renewable sources of generation⁽¹⁾, so no issue of principle would appear to be involved.

7.2. The Commission will doubtless give thought to finding if there is a way, possibly by means of some financial or other mechanism, to enable long term investment in power station capacity still to take place

⁽¹⁾ In its recently published Green Paper — see footnote 3, p. 93.

even in a market context. It recognized that this would be a problem at II 1(d), on page 8 of its document, where it comments that in implementing the internal electricity market 'Member States may take due consideration of the long term planning needs of the nuclear industry etc.'

7.3. But such measures, should they amount to anything, may be of little avail if public opinion retains its present degree of concern about the activities of the nuclear industry. Since the Chernobyl disaster, this has become a powerful political force in its own right. To that political force has now been added the challenge of natural gas, the most formidable competitive challenge that the industry has met.

7.4. Within the industry, questions of efficiency and cost will need to be reviewed from top to bottom, with a determination to increase the first and cut the latter. The technical and commercial possibilities of smaller reactors in the 200-500 MW range should be urgently examined once more. Research activities, particularly those related to safety issues, may well need further resources.

7.5. The choice that some Member States may make to replace obsolete power stations by new ones will therefore mean a sustained research effort by the nuclear industry to design a new generation of reactors which are both permanently safer and more competitive. The Committee thinks that this research effort must be encouraged and supported by the EU through the nuclear fission research programme. The scale of the investment required means that it is particularly important to coordinate national and Community programmes.

7.6. Safety standards have to be rigorously and scrupulously maintained as always. Within the Member States of the EU, the industry's safety record has been outstanding over several decades. Together with the competent authorities, the industry is entitled to due recognition for this. But it is not a reason merely for self congratulation. The safety record as well must be subject to meticulous review to ensure that the established standards do not drop because they have become routine, or because corner cutting practices may have crept in in some places. It is of crucial importance that the public is kept fully informed about the safety practices of the industry and how they are maintained and developed to still higher standards.

7.7. *Handling and disposal of radioactive waste*

7.7.1. Above all, the nuclear industry has to address the question of its overall acceptability to the public.

There is perhaps nothing that can be done to erase the images and the reality of the Chernobyl disaster. But it would make a big difference if public opinion could be satisfied about the transport and long term disposal of radioactive waste. It is instructive that spent fuel and other radioactive materials have for years been safely transported within the EU by both road and rail; nevertheless, to many people this activity is still as much a source of worry as it ever was.

7.7.2. It is possible that the industry needs to rethink its public presentation of the subject of radioactivity. It seems only to talk about radioactivity in situations in which it is engaged with it in a potentially dangerous way. It might consider if it is possible, independently of its own activities, for an open and ongoing discussion to be developed with the public at large, via the modern media, about the nature of radioactivity, and about when it is dangerous, when it is perfectly safe, and when it is beneficial.

7.7.3. Probably the most intractable problem the industry faces relates to the disposal of medium and high level nuclear waste, in which dangerous radioactivity subsists for exceptionally long periods of time. The industry, supported by the weight of specialist scientific opinion, has long favoured final deep disposal below secure geological strata, where it can be reliably contained, undisturbed, indefinitely into the future. Public opinion consistently opposes this solution on the grounds that no one can be so sure that nothing can go wrong. Public opinion not only wants long lived (indeed all) radioactive materials to be disposed of safely, but it wants this done in such a way that it is both retrievable and, if at all possible, observable.

7.7.4. It is the Committee's view that the nuclear industry could not do anything that would be more likely to allay public unease about its activities than to meet the public's wishes about the handling of long term waste, which it is both practicable and affordable to do. The Commission should assist Member States and the nuclear industry to achieve this end. In addition, it should go beyond this to develop a comprehensive nuclear waste disposal policy for the EU as a whole.

7.8. *Industry contribution to nuclear safety in the CEEC and the FSU*

7.8.1. Finally, the industry should step up its technical, financial and political support for activities directed

at ensuring the safety of nuclear facilities (not excluding military facilities) in the CEEC and the FSU. It should also give itself a very much higher public profile in carrying out such activities, whether carried out as part of the Tacis and Phare and other programmes, or independently. These are activities which the public will support, provided that it is told about them. The public is very aware of the dangers to which poorly designed and inadequately maintained nuclear facilities can give rise, and looks to 'its own' nuclear industry to help to put things right. Here is a golden opportunity for the industry to kill two birds with one stone, and it should take it.

8. Summary

8.1. The publication of the Draft Illustrative Nuclear Programme is welcomed. It provides a basis for a wide debate in the EU, but more detailed information is needed. The proposed principles should be supported.

8.2. Nuclear power currently produces one third of the EU's electricity, and has important environmental advantages over fossil fuels in the generation of electricity, as e.g. saving CO₂ emissions. However, it requires extensive arrangements to ensure its safe operation. Despite the excellent safety record of the industry within the EU, there continues to be widespread public concern as to the extent to which these arrangements can be relied upon. Not only did the Chernobyl disaster rekindle deep-seated fears about radiation, but public anxieties about the industry's treatment and disposal of nuclear waste remain unabated.

8.3. The extent of public concern, the deregulation and opening up of (in most Member States) a hitherto secure market which has been conducive to long term capital intensive investments, plus the arrival of competitively priced natural gas used in smaller, more efficient and cheaper generation plants, are crucial factors which, on current information, make it highly unlikely that nuclear generation will be continued in most Member States when existing plants come to the end of their operating lives in the years after 2005-2010.

8.4. The prospect of such a development must raise serious strategic questions for EU energy policy. For, the loss of most of its nuclear generation would not only compromise the EU's ability to ensure satisfactory security of supply conditions in respect to the future

import of fuel for electricity generation, it would also powerfully counteract the EU's efforts to reduce its CO₂ emissions.

8.5. It is a serious omission that the Commission's document fails to bring out the importance of the above strategic issues, or to assess adequately their likely impact on the EU's energy policy. The Commission is called upon to address these issues specifically in its final version of the Illustrative Nuclear Programme, to reach clear conclusions, and to give guidance to the parties involved, as well as to the public, about the realities ahead.

8.6. Regarding the dangers which may arise from nuclear facilities in the CEEC and the FSU, there should not be any doubt as to the deeply damaging effect on public attitudes if there were to be another major nuclear accident. The Phare and Tacis programmes have been valuable, but they are coming under increasing criticism. Insofar as these programmes deal with nuclear safety, the Commission is urged to review them as a matter of urgency, and then to publish the results. The Commission's attention is drawn to the implications of Soviet designed reactors being brought within the boundaries of the EU when enlargement takes place.

8.7. The Commission is also asked to consider including attention to dangerous nuclear military installations within the scope of its activities.

It is proposed that action to alleviate concerns about nuclear safety in the east is added to the Commission's proposed set of principles.

8.8. Nuclear generation in the EU faces major challenges, not least to its future existence. Apart from the need to review its efficiency and its reactor designs, and vigilantly to sustain and improve its existing high standards of safety, the industry has to address the question of its overall acceptability to the public. Finding a way to satisfy the public about the transport, handling and disposal of radioactive waste is seen as the key issue. Public opinion does not accept the industry's concept of final disposal. It wants waste disposed of retrievably

and observably, and the industry could not do anything better than to meet the public's wishes on this key

matter. The Commission should assist Member States and the industry to achieve this end.

Brussels, 24 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

APPENDIX I

Extracts from 'European Energy to 2020 — A scenario approach' ⁽¹⁾

1. 'Europe Energy to 2020' (EE 2020) reviews a range of possibilities as to Europe's need for different fuels over the next twenty-three years, and where they will come from. The paragraphs below summarize the main findings of EE 2020 which relate to the EU's electricity requirements.
2. EE 2020 takes the view that the EU's indigenous energy production, other than renewables, will decline 'by perhaps one-fifth by 2020'. 'Inevitably', energy import dependency will rise. Currently of the order of 48 % of gross consumption, it 'could range from perhaps 53 % to 69 % by 2020'.
3. 'Amongst the fuels, dependence on imported natural gas increases the most Imports currently account for 40 % of consumption and this figure could reach 75 % by 2020. Incremental supplies will come substantially from the former Soviet Union and North Africa, although by 2020 it is possible that additional supplies may be available from Nigeria, Iran or elsewhere in the Middle East, either by pipeline or in the form of LNG'. A substantial volume of supplies will continue to come from within Europe (i.e. the North Sea and the Netherlands), including Norway.
4. Commenting specifically on gas as a fuel for electricity generation, the Commission's report states that 'increasingly generated by gas, electricity demand continues to grow' and that 'gas-fired combined cycle plant is forecast to rise to over 30 % of thermal capacity'. In one of its four scenarios it would increase to 50 %.
5. On the related matter of the future of coal (which, like nuclear energy, also generates a third of the EU's electricity) EU 2020 states that dependency on coal imports 'will also increase rapidly as a result of plummeting domestic production. From 29 % in 1990, dependency is already 37 % today and is anticipated to reach nearer 80 % by 2020'.

⁽¹⁾ Published by the European Commission in Spring 1996 and available in English only. Text in the above, other than that in quotation marks, is by the Rapporteur. The quotations are taken from the text of EE 2020 between pages 10 and 23.

APPENDIX II

to the opinion of the Economic and Social Committee
(in accordance with Rule 47 of the Rules of Procedure)

The following proposals for amendments were defeated in the course of the debate:

Proposals for amendments tabled by Mr Zöhrer

Point 3.1

Amend the second sentence as follows:

'As the Commission itself points out, nuclear energy is a highly controversial subject in the Union, although nuclear generation produces a significant part, around one third, of the EU's electricity. But for several years the Commission has had little to say, either about its potential or its problems.'

Reason

This wording expresses the range of the discussion, rather than focusing on one aspect (the CO₂ problem).

Result of the vote

For: 18, against: 62, abstentions: 6.

Point 4.2

Delete the first sentence.

Reason

The Commission does not express such a doubt. It merely states that certain developments cannot yet be forecast beyond 2000 and that quantitative production and investment targets cannot thus be established.

Result of the vote

For: 16, against: 65, abstentions: 6.

Point 4.10

Delete the final sentence.

Reason

This sweeping statement is not true. There are no empirical data to support it.

Result of the vote

For: 24, against: 62, abstentions: 4.

Point 5.2.1

Reword the first two sentences as follows:

'The possibility of growing dependency on imported fuels for its generation of electricity could for the EU as a whole lead to problems of long-term security of supply, although the potential problem varies in degree from one Member State to another.'

Reason

Supply problems will not necessarily arise.

Result of the vote

For: 20, against: 75, abstentions: 10.

Point 5.2.5

Reword as follows:

'The issue of security of supply is thus relevant to the consideration of the Commission's Draft Illustrative Nuclear Programme. Above all in those Member States which obtain a high proportion of their electricity from nuclear generation, nuclear power will function as a strategic stabilizing factor, and it is unlikely to be replaced in this role in the foreseeable future.'

Reason

The decision whether to use nuclear energy is left to the Member States. The individual Member States are pursuing different energy-policy strategies, so that it is impossible to make general statements as to (future) security of supply.

Result of the vote

For: 21, against: 82, abstentions: 6.

Point 5.2.6

Delete.

Reason

See reason for amendment to point 5.2.5.

Result of the vote

For: 25, against: 80, abstentions: 7.

Point 5.3.1

Replace the second sentence with the following:

'Efforts to achieve energy savings and to use renewable energy sources should therefore be stepped up. The low CO₂ emissions from nuclear generation are one of the reasons why some Member States favour nuclear energy, or are not abandoning it as quickly as planned. A sudden switch from nuclear technology to fossil fuels (which are at present the only alternative) would have serious consequences in this respect.'

Reason

Self-explanatory.

Result of the vote

For: 25, against: 73, abstentions: 10.

Points 5.4.3 to 5.4.5

Delete.

Reason

As the Commission has to respect the decisions of the individual Member States on the use of nuclear energy, it is right to avoid confronting these issues.

Result of the vote

For: 21, against: 82, abstentions: 4.

Point 7.1

Add the following sentence:

'The Committee would however reiterate the principle that the decision on the peaceful use of nuclear energy is to remain a matter for the Member States.'

Reason

Self-explanatory.

Result of the vote

For: 25, against: 67, abstentions: 12.

Point 7.2

Add the following sentence:

'Where options such as these are considered, it is essential to include other capital-intensive investments in power station capacity (for example, hydroelectric power plants). To facilitate this, objective criteria must be drawn up without reference to any specific technology.'

Reason

No one type of energy should be given preferential treatment.

Result of the vote

For: 23, against: 86, abstentions: 7.

Proposal for amendment tabled by Mr Malosse, Mrs Sirkeinen and Mr Gauder

Point 8.3, 4th line

To read as follows:

'smaller, more efficient and cheaper generation plants, are crucial factors which, according to the information currently available and unless subsequent developments change this view, make it highly unlikely that nuclear generation will'

Reason

Self-explanatory

Result of the vote

For: 36, against: 51, abstentions: 22.

**Opinion of the Economic and Social Committee on the '1997 Annual Economic Report
Growth, employment and convergence on the road to EMU'**

(97/C 206/18)

On 22 April 1997 the Commission decided to consult the Economic and Social Committee on the '1997 Annual Economic Report — Growth, employment and convergence on the road to EMU'.

The Section for Economic, Financial and Monetary Questions, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 April 1997. The rapporteur was Mr Harry Byrne.

At its 345th plenary session (meeting of 24 April 1997) the Economic and Social Committee adopted the following opinion unanimously.

Introduction

1. The present opinion gives the Economic and Social Committee a welcome opportunity to contribute to preparation of the 'broad guidelines of the economic policies of the Member States and of the Community' which are specified in Treaty Article 103(2). The Member States have in fact made substantial progress, which should be consolidated, towards stability and 'nominal' convergence (the Maastricht criteria). The Committee points out that convergence in real terms of the economies — jobs, per capita growth and interregional cohesion — is still inadequate. The Committee also believes that the economic outlook for 1997 must be looked at with realism and caution.

1.1. The Committee endorses the Commission analysis of the reasons for the inadequate growth rates and deterioration on the employment front which was recorded in the first half of the 1990s: inadequate increase in productive capacity, fiscal looseness in some Member States with regard to public expenditure and wage policy — contrary to the stability objectives —, turbulence on the currency markets and devaluation of various currencies. Due to the rebalancing of the macroeconomic policy-mix there seems to have been a turnaround in 1996.

Towards Economic and Monetary Union

2. The Committee welcomes the fact that the Maastricht convergence criteria which were established to prepare the Member States for participation in EMU — particularly phase three (introduction of the Euro) — have triggered a remarkable convergence of Member State economies. The extent of coordination differs from country to country, with some respecting the formal criteria more than others, but all Member States without exception have made substantial progress towards convergence.

2.1. The Community has thus achieved unprecedented monetary stability, with inflation around 2 %,

extremely stable exchange rates — confirmed by the return of Italy to the EMS and the entry of Finland — and the downward movement of short- and long-term interest rates.

2.2. Substantial progress has also been made in budgetary policy — debt and annual deficit — but the Member States still have some ground to cover in this area. Moreover, improved fiscal coordination — not to say consolidation — is required, not just to enable as many countries as possible to fulfil the Maastricht criteria, but also to maintain and improve cohesion between the different regions of the Community.

Jobs: the black spot

3. The Economic and Social Committee is greatly concerned by the fact that the creation of the single market and the policies designed to pave the way for the single currency have not led to an upturn in growth and the jobs market. Employment continues to be top priority in the minds of Europeans.

4. The EC Treaty makes ample reference to the objective of employment. Article 2 makes it very clear that 'a high level of employment and of social protection' is a Community objective. Article 102a, introducing economic and monetary policy, states: 'Member States shall conduct their economic policies with a view to contributing to the achievement of the objectives of the Community, as defined in Article 2, and in the context of the broad guidelines referred to in Article 103(2)'. The ESCB, whose primary objective is to maintain price stability in the Community, is to contribute to the objectives laid down in Article 2, which mentions a high level of employment (Article 105). The Committee strongly believes that the present IGC should see that the EC Treaty includes a special chapter on employment laying down a policy based on precise objectives and equipped with adequate instruments.

5. The Committee endorsed the measures proposed by the EC Commission initially in the White Paper on growth, competitiveness and employment, and more recently Commission President Santer's call for all the parties involved to engage in wide-ranging cooperation under a Confidence Pact for employment. What is needed now, however, is for the Member States and the European Union to implement the measures so as to achieve concrete results and actually to create more jobs. Despite the successes recorded by some Member States, the level of unemployment in the Community as a whole is still excessively high and socially and economically insupportable.

Economic outlook

6. However, the Committee agrees with the statement in the Commission annual report that the supply-side fundamentals in the Community are sound (price stability, interest rates, exchange rates, international context, etc.) and should enable the economy to pick up momentum progressively.

7. Only the Netherlands and Ireland seem to have managed to combine fulfilment of the convergence criteria and job creation successfully, together with Luxembourg which has long been exempt from the problem. After Luxembourg, Austria has by far the lowest unemployment rate in the European union and is currently implementing consensus-based budget consolidation measures. The Netherlands deserve particular praise for achieving a combination of wage moderation, consolidation of public spending, lower taxes and a more flexible jobs market, thus allowing an encouraging improvement in the employment situation, which was described as desperate by some observers just a few years ago. Moreover, they have managed to maintain and build on the essential features of their social model. All these countries show how effective consensus policies involving the economic and social partners can be. The Committee stresses also the very good performance of the Danish economy, in particular the significant reduction in unemployment.

8. While the success of Ireland is attributable to a consensus approach which led to broad agreement between the government and the social partners on rigorous fiscal policy measures, it is also based on optimum use of the development instruments provided by the Community under the Cohesion Fund and the Structural Funds. This shows that the Community can play a very positive role in the economic development of the regions and Member States, and that Ireland's efforts in this area are worth emulating. Italy could reap greater benefit from Community funding if it enhanced its capacity in using the already reserved resources for co-financing⁽¹⁾.

8.1. It has to be recognized that in many of the Member States pursuit of the convergence criteria entails tight fiscal policies which narrow the scope for government action to stimulate the economy and may thus have deflationary elements. It is therefore essential to adopt a policy-mix which can combine monetary stability, growth, job creation and fiscal consolidation.

8.2. The Committee hopes the Member States will continue the momentum of the economic-policy coordination and achieve the Maastricht criteria, and that the third phase of EMU will be able to start on 1 January 1999, with a maximum number of participants.

Weakness — demand — solutions?

9. The best way to achieve a renewed economic upturn is increased investment, driven by increased demand. The technical conditions needed to boost investment, viz. low long-term interest rates, are a reality in almost all Member States. In addition, companies are experiencing an encouraging period of profitability that is only jeopardised by poor prospects for growth in demand for their products and services. In this connection the Committee stresses the need for future Commission annual economic reports to identify the level of real interest rates, which are more significant for the propensity to invest.

10. Continued application of the policy based on moderate wage agreements — a *sine qua non* for stability in the final run-up to Economic and Monetary Union — should be accompanied forthwith by measures to stimulate demand. Demand must be supported by a wage increase in real terms which does not exceed productivity gains, by measures to stimulate exports and to boost innovative capacity, as well as by an increase in employment. Given the linkage between demand, employment levels and investment trends it is essential to avoid falling into a vicious circle. As soon as the budget perspective permits it, the Member States could stimulate economic activity, and hence promote employment, by taking fiscal measures in selected areas. These could include sectoral measures, such as a reduction in taxes on housebuilding and renovation.

11. The Committee welcomes the fact that the 1997 Annual Economic Report includes a special chapter dedicated to globalization, and would draw attention to its opinion on employment, competitiveness and economic globalization⁽²⁾. The Committee would emphasize that the Community economy must not

⁽¹⁾ See the Ecofin Section Report on the economic and social situation in Italy, CES 775/96 fin of October 1996, rapporteur Mr Dantin.

⁽²⁾ Own-initiative opinion adopted on 19 March 1997, rapporteur Mrs Konitzer (OJ No C 158, 26. 5. 1997).

be afraid of the globalization of economic activity (production of goods and services), but rather look on it as a challenge and a power-house of progress.

12. In any event, globalization should not lead the Community to abandon its 'social model' ⁽¹⁾, but rather to make any changes needed to improve its efficiency. In addition to the opinion on globalization, the Committee took a stand a few months ago on the impact of the introduction of new technologies on employment ⁽²⁾. The figures show that over the last fifteen years productivity has advanced just as fast in the European Union as in the United States or Japan. The Committee therefore considers that globalization and new technologies constitute for economic operators both challenges and opportunities to ensure the long-term economic growth of the European Union.

12.1. Furthermore, the EU must take all possible steps to prevent 'social and environmental dumping' originating in areas outside its territory and thereby promote fair trade on a world-wide level; such measures could be taken, for example, through the WTO or the ILO.

Rigidities

13. However, the causes of unemployment continue to be heavily structural. Macroeconomic monetary and financial measures are not sufficient. Among the structural problems most commonly mentioned, are job-market rigidities despite the real progress made in several Member States towards positive flexibility with consensus.

13.1. The Committee feels that job creation can be enhanced by demand and investment led growth, flexible and negotiated labour market conditions and by reducing the current tendency for Europe to substitute capital for labour at a greater rate than the USA. A reduction in compulsory levies, with the consequent reduction in wage costs, should, moreover, promote employment, although it could require an alternate tax source in order to finance social expenditure.

13.2. The example of the US economy, albeit not wholly applicable to the European socio-economic model, particularly at this juncture when EU Member States are committed to restrictive policies in pursuit of convergence, demonstrates that it is possible to reap

significant results in terms of job creation when operating in a large single market with a strong single currency.

13.3. The Committee envisages issuing an opinion shortly on the relationship between productivity and job creation.

13.4. In addition, the Committee urges continued action against the red tape that hampers job creation. Many intolerable situations (proliferation of over-complicated administrative procedures, too much time taken in issuing permits, etc.) can still be combated with a view to improving the business environment and making it more propitious to job creation.

Structural measures

14. As regards the specific structural measures to be taken, the Committee is thinking initially of various part-time schemes, the reorganization and reduction of working time ⁽³⁾, job experience schemes, vocational training, and using experienced workers to provide vocational training, so that the know-how built up in certain areas does not die out.

14.1. The Committee points out that financial constraints have prevented a start being made on the major infrastructure projects, that is to say the European networks. The Committee stresses the importance of national, regional and local public works schemes requiring a relatively large workforce. The Committee also feels environment policy is an important area for new jobs.

Small and medium-sized firms

15. Importance should continue to be attached to the development of micro, small and medium-sized firms. The Committee stresses the need for greater flexibility with respect to such matters as barriers to entry, access to venture capital, obtaining credit from the banks and in particular it should be made easier for firms to build up their own capital. A reduced rate of corporation tax on profits up to a specified threshold, provided that they are retained in the business for investment purposes, would assist the establishment and development of new enterprises. In addition, it is essential to improve the environment in which the self-employed and small businessmen operate by reducing red tape; the aim here should include making it easier to pass on firms from one generation to the next and to improve pension and social security schemes for the self-employed and small businessmen. Furthermore, it should be made easier for employees to become self-employed, and vice versa.

⁽¹⁾ The social model differs from country to country but everywhere it includes collective bargaining, consensus and a high level of social protection.

⁽²⁾ OJ No C 66, 3. 3. 1997.

⁽³⁾ OJ No C 18, 22. 1. 1996.

Young people

16. The Committee endorses more aggressive schemes to provide on the job training schemes and jobs for young people. However, it does not believe that there should be a reduction in the minimum wage or the general wage level for young people. The European social model involves a high wage level matched by high productivity. A number of Member States have already launched successful measures which are worth discussing and sharing with all other Member States (benchmarking).

The political climate: Economic and monetary union

17. The Economic and Social Committee believes that the introduction of the Euro in 1999 provides a unique opportunity for the Member States to explain the notion of European integration to their citizens and get it accepted. Replacing the national currency with the Euro affects every citizen directly and individually. For what they are worth, recent polls suggest that only a minority of the population supports a single currency and EMU. The Member States have a major responsibility to inform the public.

17.1. In particular, governments must explain to their citizens that the efforts made to achieve the convergence

criteria laid down for creating the single currency have not been in vain. The contraction in demand caused through a cut in public spending should be followed by an upturn that investors and consumers could interpret as a new and encouraging signal of a return of confidence and thus of a more stable economy. The Committee hopes that this trend can come about, if possible as quickly as the Commission forecasts (second half of 1997).

Conclusion

18. The governments and economic and social representatives have a key role to play in boosting the economy and thus creating more jobs. They must continue to apply the policy mix that will eventually, through stability, lead to easier job creation. The Community must tackle unemployment with the same determination with which it is pursuing monetary convergence. Consequently, the broad guidelines of the economic policies of the Member States and of the Community will assume greater importance. Indeed one needs a comprehensive economic policy at EU level in order to pursue the employment objective without damaging the substance of the European model and to create in the meantime fair competition conditions. Business and labour must develop a firm political will to create through consensus mechanisms the jobs asked for by the European citizens.

Brussels, 24 April 1997.

The President

of the Economic and Social Committee

Tom JENKINS

TABLE 1

International Economic Environment

	1988	1989	1990	1991	1992	1993	1994	1995	1996
GDP growth World (excl. EC)	4,2	3,2	2,2	0,1	1,5	3,0	3,5	3,9	4,2
GDP growth USA	3,9	2,7	1,2	-0,5	2,5	3,4	4,1	2,0	2,4
GDP growth Japan	6,2	4,8	5,1	4,0	1,1	0,1	0,5	0,9	3,8
World import growth (excl. EC)	9,0	7,3	4,5	3,1	7,1	10,1	11,6	10,2	8,1

Source: Commission services, Autumn 1996 forecasts.

TABLE 2

Economic performance of the Community

	1961-1973	1974-1985	1986-1990	1991	1992	1993	1994	1995	1996
Real GDP growth	4,8	2,0	3,3	1,5	1,0	-0,4	2,9	2,5	1,6
Inflation (GDP deflator)	5,2	10,6	4,9	5,5	4,5	3,6	2,6	2,9	2,5
Unemployment (% of civilian labour force)	2,3	6,4	8,9	8,3	9,3	10,9	11,3	10,9	11,1
Gen. gov. net borrowing (% of GDP)	0,4 ⁽¹⁾	3,9 ⁽¹⁾	3,5 ⁽¹⁾	4,3	5,1	6,2	5,4	5,0	4,4
Current account balance (% of GDP)	0,3	-0,3	0,1	-1,4	-1,2	0,0	0,0	0,5	0,7
Short term interest rates (yearly average)	5,6 ⁽²⁾	11,2 ⁽²⁾	9,8	11,0	11,2	8,6	6,6	7,0	5,3
Long term interest rate (yearly average)	7,1 ⁽²⁾	11,9 ⁽²⁾	9,8	10,3	9,8	7,8	8,2	8,6	7,3

⁽¹⁾ EUR excl. EL, E, L, P and S.

⁽²⁾ EUR excl. EL, L and P.

Source: Commission services, Autumn 1996 forecasts.

TABLE 3

Composition of growth in the Community

Annual percentage change	1961-1973	1974-1985	1986-1990	1991	1992	1993	1994	1995	1996
Private consumption	4,9	2,2	3,7	2,2	1,8	-0,3	1,7	1,8	1,9
Public consumption	3,8	2,5	2,0	1,8	1,5	1,2	0,4	0,7	1,0
Investment (GFCF)	5,7	-0,1	5,7	-0,4	-0,9	-6,6	2,4	3,6	1,7
in: equipment ⁽¹⁾	...	1,9	6,7	-0,5	-3,8	-11,5	3,5	6,6	4,0
in: construction ⁽¹⁾	...	-1,2	4,6	-0,6	1,1	-3,3	1,9	1,5	-0,4
Domestic demand	4,9	1,6	3,9	1,2	1,1	-1,8	2,5	2,2	1,3
Export of goods and services ⁽²⁾	8,0	4,2	5,1	4,9	3,6	1,8	9,0	7,5	4,1
Imports of goods and services ⁽²⁾	8,7	2,7	7,4	4,1	3,9	-2,8	7,6	6,5	3,2

⁽¹⁾ EUR excl. L and P.

⁽²⁾ Including intra-Community trade.

Source: Commission services, Autumn 1996 forecasts.

TABLE 4

Labour market indicators in the Community

Annual percentage change, unless otherwise indicated	1961-1973	1974-1985	1986-1990	1991	1992	1993	1994	1995	1996
Labour productivity	4,4	2,0	1,9	1,3	2,4	1,4	3,3	1,9	1,6
Real compensation per employee	4,5	1,6	1,3	1,5	2,4	0,5	0,7	0,3	0,9
Real unit labour cost	0,0	-0,3	-0,7	0,2	0,0	-0,9	-2,4	-1,6	-0,7
Labour force	0,3	0,7	0,9	0,4	-0,2	-0,8	0,1	0,1	0,2
Employment	0,3	0,0	1,3	0,1	-1,4	-1,9	-0,3	0,8	0,0
Unemployment (% of civilian labour force)	2,3	6,4	8,9	8,3	9,3	10,9	11,3	10,9	11,0

Source: Commission services, Autumn 1996 forecasts.

TABLE 5

Survey indicators for the Community

	Max. 1988-1991	Min. 1992-1994	1991	1992	1993	1994	1995	1996	1997
Investment plans ⁽¹⁾ (manufacturing industry)	- 4	- 5	- 11	- 3	+ 11	+ 4	+ 3
Capacity utilisation (manufacturing industry)	85,1	77,2	82,2	80,4	77,6	79,5	83,0	81,3	81,0 ⁽²⁾
Economic sentiment indicator (1985 = 100)	104,8	96,0	100,4	98,5	96,4	100,4	101,0	98,9	101,1 ⁽³⁾

⁽¹⁾ Volume of change of investment plans on previous year.

⁽²⁾ 1996 Q4.

⁽³⁾ February 1997 for Economic sentiment indicator.

Source: Commission services, Autumn 1996 forecasts.

TABLE 6

Current performance of the Member States in relation to convergence (*)

	Inflation	Interest rates	General government budgetary position				Exchange rate	
	Harmonised indices of consumer prices	Long-term interest rate ⁽¹⁾	Existence of an excessive deficit ⁽²⁾	Deficit/GDP ratio	Debt/GDP ratio		Participation in the ERM	
				Commission forecasts/estimates (November 1996)				
				1996 ⁽⁶⁾	1996	Δ 1996/1995		Δ 1996/1993
Feb. 1996-Jan. 1997 ⁽²⁾	Feb. 1996-Jan. 1997 ⁽³⁾							
B	1,8	6,4	yes	3,3	130,6	- 3,1	- 6,4	yes
DK	2,0	7,1	no	1,4	70,2 ⁽⁷⁾	- 1,7	- 9,9	yes
D	1,3	6,2	yes	4,0	60,8	2,7	12,6	yes
EL	7,8	14,8 ⁽³⁾	yes	7,9	110,6	- 1,2	- 1,2	no
E	3,5	8,5	yes	4,4	67,8	2,1	7,3	yes
F	2,1	6,2	yes	4,0	56,4	3,6	10,8	yes
IRL	2,2 ⁽⁴⁾	7,2	no	1,6	74,7	- 6,9	- 20,0	yes
I	3,7	9,1	yes	6,6	123,4	- 1,5	4,1	yes
L	1,2	6,3	no	- 0,9	7,8	1,8	1,6	yes
NL	1,5	6,1	yes	2,6	78,7	- 1,0	- 2,1	yes
A	1,8	6,3	yes	4,3	71,7	2,7	8,9	yes
P	3,0	8,3	yes	4,0	71,1	- 0,6	2,9	yes
FIN	1,5	7,0	yes	3,3	61,3	2,1	4,0	yes
S	0,9	7,9	yes	3,9	78,1	- 0,6	2,1	no
UK	...	7,9	yes	4,6	56,2	2,1	7,7	no
EUR 15	2,4	7,2		4,4	73,5	2,2	7,4	

(*) Tentative presentation of figures which are not yet, in all cases, harmonised. The final definitions of the convergence criteria as embodied in the Maastricht Treaty are still under discussion.

⁽¹⁾ Average maturity 10 years, except for Greece (around 5 years).

⁽²⁾ Inflation: arithmetic average of twelve monthly harmonised indices relative to the arithmetic average of the twelve monthly harmonised indices of the previous period.

⁽³⁾ Interest rates: average of the last 12 monthly averages.

⁽⁴⁾ Inflation in Ireland: arithmetic average of four quarterly harmonised indices for 1996 relative to the arithmetic average of the four quarterly harmonised indices for 1995.

⁽⁵⁾ Council decisions of 26 September 1994, 10 January 1995 and 27 June 1996.

⁽⁶⁾ Figures are estimates made by Commission staff using the definitions and the latest figures available from national sources; a negative sign for the budget deficit indicates a surplus.

⁽⁷⁾ Government deposits with the central bank, government holdings of non-government bonds and public enterprise related debt amounted to some 18 % of GDP in 1995.

TABLE 7

Real convergence in 1996

	GDP per capita		Unemployment	Real unit labour cost	Balance of payments on current account
	in PPS	% change over previous year	% of the civilian labour force	% change over previous year	% of GDP
B	111,5	4,5	9,8	- 1,5	4,1
DK	116,1	5,1	6,0	0,9	1,0
D	109,9	4,4	9,0	- 0,9	- 1,1
EL	65,8	5,3	9,0	0,9	- 3,0
E	76,9	5,3	22,2	- 0,8	0,9
F	106,5	4,1	12,3	- 0,8	1,7
IRL	97,5	10,8	12,3	- 3,8	3,7
I	103,9	4,0	12,0	0,7	3,4
L	168,8	4,9	3,1	- 0,3	15,9
NL	107,0	5,4	6,6	- 1,5	4,9
A	110,9	4,0	4,1	- 0,5	- 2,1
P	67,9	5,7	7,3	0,1	- 1,0
FIN	96,3	5,4	15,7	1,2	4,0
S	99,8	4,7	10,0	2,2	1,2
UK	96,0	5,3	8,2	- 1,2	- 1,8
EUR	100,0	4,7	11,1	- 0,7	0,7

Source: Commission services, Autumn 1996 forecasts.

TABLE 8

Unemployment in Europe (% of the civilian labour force)

		1993	1994	1995	1996
Women	total	12,2	12,7	12,5	12,6
	under 25	22,0	23,0	23,2	23,0
	25 and over	10,3	10,8	10,6	10,7
Men	total	9,7	10,0	9,4	9,6
	under 25	20,9	21,4	20,1	20,2
	25 and over	7,9	8,2	7,9	8,1
Men and Women	total	10,9	11,3	10,9	11,0
	under 25	21,4	22,1	21,5	21,5
	25 and over	8,9	9,3	9,0	9,2

Source: Commission services.

Opinion of the Economic and Social Committee on the 'Proposal for a Council Directive on the registration of persons sailing on board passenger ships'

(97/C 206/19)

On 27 January 1997 the Council decided to consult the Economic and Social Committee, under Article 84 of the Treaty on the above-mentioned proposal.

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 9 April 1997. The rapporteur was Mr Whitworth.

At its 345th plenary session (meeting of 23 April 1997), the Economic and Social Committee adopted the following opinion with 119 votes for, two votes against and seven abstentions.

1. Introduction and Background

1.1. The proposed directive has its origin in the Council Resolution of 22 December 1994 on the safety of roll-on roll-off passenger ferries. Recalling amongst other accidents the capsizing of the ferry 'Estonia' the previous September, the resolution called for Member States and the Commission to support a range of specific activities in the International Maritime Organization (IMO) and invited the Commission to submit proposals for certain mandatory requirements of which the registration of passengers on ferries regularly using EC ports was one.

1.2. Since that date the IMO has developed and adopted certain amendments to the International Convention for the safety of life at sea 1974 (SOLAS). Regulation III/27, entitled information on passengers, adopted last June and applicable to all passenger ships on international voyages lays down requirements for the counting of passengers and the recording of certain information about them. The regulation will enter into force on 1 July 1998.

1.3. The SOLAS Regulation permits certain derogations:

- passenger ships may be exempted if their scheduled voyages render the recording of the information impracticable;
- ships which do not proceed more than 20 miles from land may be exempted if their flag administration considers that the sheltered nature of the voyage renders the requirements unreasonable or unnecessary.

2. The Commission's proposal

2.1. The Commission has based the proposed directive on the new SOLAS Regulation. It proposes that it should be applicable to all passenger ships of whatever

flag departing from a port located in a Member State in domestic as well as international voyages. (Certain requirements are also prescribed for ships inbound from ports outside the Community.) The Commission stresses that without such a Directive the SOLAS Regulation would be binding only on flag States and that to ensure its coherent implementation for all passenger ships sailing from EC ports it is necessary to extend jurisdiction over its requirements to port States; it also points out that the latter are responsible for search and rescue (SAR) activities in the event of any casualties.

2.2. The proposed directive requires:

- all persons on board to be counted prior to a vessel's departure and masters to ensure that the numbers do not exceed those for which the vessel has been certified;
- for ships undertaking voyages of more than 20 miles the names, genders, and categories of all passengers, together with any individually notified special needs, to be recorded and communicated within 30 minutes of departure to a designated individual in the company whence it can be made available to the SAR authority as and if required;
- companies to set up a system for such registration which meets certain functional criteria;
- Member States to bring into force regulations for compliance by 1 January 1998 with the registration provisions taking effect by 1 January 1999.

2.3. While under the proposed directive the recording of passenger information is only required for voyages of more than 20 miles there is no provision for derogation on the grounds of impracticability and the grounds for exemption for vessels operating in restricted waters are much more stringent than those in the SOLAS Regulation.

3. General comments

3.1. In broad terms the Committee welcomes the proposal for a Council directive on this matter. It accepts the necessity for Community legislation which is binding on the port state as well as the flag state. It welcomes the fact that the proposed directive is based on IMO decisions as contained in the SOLAS Regulation, this being consistent with the position it has taken in a host of its previous opinions on maritime matters. It accepts that the rules should be equally applicable to ships engaged on domestic as well as international voyages as there is no case for dual safety standards in these areas.

3.2. As to the substance of the directive, it is beyond question that the number of passengers on board should be counted and that masters should be obliged to ensure that they do not exceed the number laid down in the vessel's passenger certificate. The Committee supports these provisions unreservedly though it should not be necessary to introduce a new regulation to ensure that this basic safety requirement is carried out.

3.3. The recording of the names and other details of passengers constitutes a new requirement. The Commission states in a number of instances in its explanatory memorandum that the purpose of this is to facilitate SAR operations. While knowledge of the numbers on board is essential to these and awareness of their categories (adults, children and infants) is helpful, the actual names of passengers only become relevant in the aftermath of a casualty — to enable the company to answer queries from relatives and to aid identification of the dead and injured.

3.4. There can be no doubt that the requirement to record the names of all their passengers will create considerable administrative difficulties for these ferry companies operating intensively scheduled services on routes where a significant number of passengers buy a ticket on a 'turn-up-and-go' basis at the time of embarkation. Current booking practices record the names of drivers but not of passengers and there may be as many as fifty of these in a bus or coach. On certain services it will be difficult to avoid extending embarkation times (with delays to passengers and reduced operational efficiency) even with the use of sophisticated (and costly) electronic equipment.

3.5. The scale of the operation would be vast. The peak season schedules of one single port contain 65 sailings each day to which the recording provisions would apply, with an aggregate total of 63 000 passengers. Each and every such name would have to be ascertained and recorded to be retained for little over one hour before the list was scrapped unless the vessel in question had become a casualty during that period.

3.6. It was undoubtedly with these considerations in mind that the SOLAS regulation contained the derogation on account of impracticability described in

paragraph 1.3 above. The Committee suggests that the Commission should give further consideration to such a possibility, perhaps adding a clause to the proposed directive which would permit Member States to sanction an alternative recording arrangement on a particular route where they would judge the requirement to record individual names to be impracticable. Essentially such an arrangement would have to be agreed by both (or all) the port states concerned, be fully compatible with the SOLAS criteria, take full cognizance of the SAR and weather forecasting facilities in the area and not result in any distortion of competition between one scheduled service and another.

3.7. Subject only to this suggestion and the specific comments which follow, the Committee considers that the proposed directive constitutes an appropriate response on the part of the Commission to the new SOLAS Regulation.

4. Specific comments

4.1. Article 4.3

In the penultimate line 'contained in' would be more appropriate than 'referred to in'.

4.2. Article 5.1

Passengers and crew should be counted separately as it is the number of the former which should not exceed the number on the ship's passenger certificate.

4.3. Article 6

It should be made clear, either in this Article or by defining a voyage in Article 2, that the 20-mile threshold applies on a port-to-port basis and not to the aggregate distance involving passages between more than two ports.

4.4. Article 8

As the SOLAS requirement is for the information to be made available to the SAR services when needed, the first sentence of the third paragraph should read:

'The company shall ensure that the information required by this directive can at all times subsequent to the period specified in Article 6, be made immediately available to the designated authority on request.'

It should also be made clear that there is no requirement for the information to be held in documentary form as long as it can be readily transmitted e.g. from a computer.

4.5. *Article 11.1(iv)*

The requirement that the system must be worked out in such a way that no undue delay is caused to passengers raises the question of practicability discussed in paragraph 3.4 above.

4.6. *Article 11.2*

This requirement should be deleted. It is for the company to decide the optimum method of compliance in each circumstance, subject to the approval of the Member State.

Brussels, 23 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on:

- the 'Communication from the Commission to the European Parliament and the Council on a future strategy for the control of atmospheric emissions from road transport taking into account the results from the Auto/Oil Programme',
- the 'Proposal for a European Parliament and Council Directive relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC', and
- the 'Proposal for a European Parliament and Council Directive relating to measures to be taken against air pollution by emissions from motor vehicles and amending Council Directives 70/156/EEC and 70/220/EEC'⁽¹⁾

(97/C 206/20)

On 13 February 1997 the Commission decided to consult the Economic and Social Committee, under Article 100a of the Treaty establishing the European Community, on the above-mentioned communication and proposals.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 April 1997. The rapporteur was Mr Gafo-Fernandez.

At its 345th plenary session (meeting of 24 April 1997), the Economic and Social Committee adopted the following opinion by 61 votes to three with four abstentions.

1. Introduction

1.1. The aim of these directives is to bring about a substantial improvement in air quality throughout the European Union, particularly in cities, by the year 2010. To this end, they together define new vehicle emission limits for 2000 and 2005 and specifications for petrol and diesel fuel quality for 2000.

1.2. New passenger car exhaust emission limits are established on this basis for the year 2000, entailing an

average reduction of between 35 and 50 % over the values set in 1996 for the main pollutants (NO_x, CO, HC and particulates). A total ban is also to be placed on the marketing of leaded petrol after this date, and a series of unleaded petrol and diesel fuel specifications are improved.

1.3. The directives provide that no later than 31 December 1998 the Commission must submit new proposals on new emission values for 2005 and the fuel quality

⁽¹⁾ OJ No C 77, 11. 3. 1997, p. 1-8.

required to match these values. These proposals, which should enable very stringent emission values to be attained (a reduction of a further 50 % or so over those for 2000), are to be based on the results of the Auto/Oil Programme and, *inter alia*, on the following parameters:

- Trends in air quality.
- Pollutant emissions in Europe from transport and non-transport sources and the potential contribution of the measures adopted to reduce them.
- Technical developments with regard to vehicles and new propulsion technologies.
- The contribution of local measures or those encouraging public transport, including tax incentives.
- The supply and quality of crude oil available to the EU.
- The cost-effectiveness ratio of the planned measures.

1.4. The purpose of defining objectives far ahead of 2005 is to give the industry time to prepare for the necessary technological changes to be applied to both new vehicles and oil refineries. The initiative should be tied in with the current draft directive aimed at restricting fuel consumption for petrol- and diesel-powered passenger cars to 5 and 4,5 litres per 100 km respectively.

1.5. The estimated annual costs (including those arising from technological development, investment and operation) before tax and updated for a period of 15 years, for the Auto/Oil Programme as a whole, are as follows.

For industry:

- 'First Step' measures (2000 emission limits and fuel quality): ECU 4 906 million per annum.
- 'Second Step' measures (2005 emission limits only): ECU 3 000 million per annum.

For governments: ECU 555 million per annum for the first step, arising from the costs of improved vehicle inspection and maintenance.

This will produce the following cost increases per vehicle:

- 'First Step' measures (2000 emission limits): fuel — ECU 2 per annum, plus increased manufacturing cost of new vehicles — ECU 200-520 (depending on type and cylinder capacity of vehicle).

- 'Second Step' measures (2005 emission limits): ECU 150-200 more in manufacturing cost of new vehicles.

These costs would be passed on to consumers if not absorbed by manufacturers and/or distributors.

1.6. The draft directives provide for the introduction of fiscal incentives to accelerate the implementation of the objectives. The incentives are fixed applying the usual criteria of transparency, prior notification to the Commission, proportionality with the extra costs, and duration compatible with the directives' deadlines.

1.7. Appropriate safeguard measures are also established, both for accelerating the introduction of these objectives in areas identified as especially sensitive and for requesting temporary derogation of the measures.

2. General comments

2.1. The Committee supports the aim of improving air quality which these draft directives seek to achieve through the combined effect of reducing vehicle emissions and improving fuel quality, together with the adoption of non-technical measures in this field. The Committee also believes that such measures need to be supported by others in areas such as building up public transport and improving traffic management.

2.2. The Committee wishes to congratulate the Commission on the Auto/Oil Programme initiative. The way it has been implemented, based on a partnership and efficient cooperation between the Commission and the car and oil industries, represents an excellent example for the future — its results are the best evidence of this. The Committee feels that this procedure should be used wherever possible in other sectors facing similar challenges.

2.3. The Committee endorses the reduction targets for the year 2000 and the reference targets for 2005, on the basis of the following considerations.

2.4. The Committee considers that the series of measures with which it is planned to achieve the 'Stage 2000' emission targets (entailing, as stated earlier, emission levels for the year 2010 some 35-50 % lower than would be the case without the Commission's planned package of measures) will require a major effort in economic terms and in terms of adapting the latest available technologies. Similarly, the Committee is

aware that the major part of this effort, regarding both technological developments and overall cost aspects, will fall to the car manufacturing industry. It therefore urges the Commission to support the implementation of the Auto/Oil Programme under the Framework Research Programmes and a selective fiscal approach aimed at sustainable private vehicle use, with incentives for 'clean cars'.

2.5. A key element in achieving the objectives set is the guarantee that vehicles should meet their emission targets throughout their useful life. The Commission's proposals centre upon three complementary actions:

- on board diagnostics for petrol-driven vehicles;
- regular inspection and maintenance systems.

A third, supplementary, system has also been planned, based on control of compliance of vehicles in use. This would be carried out on the basis of a statistical sample, broken down by make and model, of vehicles in use under optimum operating conditions during their operational life.

Given the combined effects of the first two elements, the Committee questions the need to set up a system of control of compliance of vehicles in use as this could prove to be bureaucratic and cost-ineffective. It would therefore urge the Commission to study alternative formulas, such as a voluntary agreement in this sphere with the European car industry.

2.6. The Committee considers that the fuel qualities required to meet the 'Stage 2000' emission targets represent a balanced proposal for the European Union as a whole, although they involve a relatively significant effort, particularly for refineries in the south of the Community. Furthermore, as indicated by the Auto/Oil Programme, they are an essential adjunct to the future new technologies for petrol and diesel engines.

2.7. The Committee would however have preferred a number of actions supplementing the proposals to have been considered at the same time. Many of these,

examined in the Auto/Oil Programme, may offer a good cost-effectiveness ratio. The following should be noted:

- impact of the new fuel consumption reduction strategy for private cars on overall car emissions;
- emission reduction, especially at local level, by applying the 'non-technical measures', such as enhanced traffic management or the possible use of alternative fuels such as LPG, compressed natural gas or others;
- measures to speed up the replacement of existing vehicles.

2.8. The Committee welcomes the fact that the Auto/Oil II Programme required for the period up to 2005 is already being drawn up. The programme should be of an integrated type covering both mobile and stationary sources. It should take account of air quality trends in the wake of the adoption of the package of measures arising from the Auto/Oil I Programme, newly-available technologies and the new pollution limits which might be fixed on health grounds. Any such second phase must be governed by the same cost-efficiency criteria.

2.9. Throughout the work on the programme, the Association of European Automobile Manufacturers made clear its opposition to establishing reference values for the year 2005 at the present time. The Commission's assumption that this would enable the automobile industry to press ahead with its technological development programmes using reference targets is valid because the Auto/Oil II Programme can be completed by the end of 1998. This will provide the automobile industry with a firm basis for technological developments. Otherwise, the suggested 2005 reference emission targets may well be excessive or, alternatively, may have to be increased above the initially planned level. The technologies developed on the basis of the original targets could consequently be partly or wholly irrelevant.

2.10. The Committee agrees with the Commission on the need to have reference targets, which are scientifically and economically verifiable. It therefore urges the Commission and the industry to speed up progress on the Auto/Oil II Programme so that appropriate reference targets can be established before the year 1999. This would also allow the latest available data on European Union air quality to be used, so that the targets would be based on a more accurate environmental picture.

2.11. The issue of tax-based environmental incentives has been discussed in a number of ESC opinions⁽¹⁾. In accordance with Commission precedent, the Committee considers that such incentives are only acceptable (a) if they serve to accelerate the application of stricter standards, approved at Community level and intended to be implemented at a future date, (b) if they are calculated as a fraction of the incremental cost of complying with such measures, and (c) if they do not lead to distortions of competition. For these reasons, the Committee supports the introduction of such fiscal incentives in order to meet the emission objectives for 2000.

2.12. The Committee wishes to highlight a number of problems concerning the application of these incentives relating to 'Stage 2005' emission standards, which the draft directive sets out on an indicative basis. These standards must be made binding at the appropriate time, otherwise the incentives could not meet any of the three single market compatibility conditions defined above. More specifically:

2.12.1. Until any new emission standards have been agreed at Community level and have entered into force, fiscal incentives would not have a sound legal basis.

2.12.2. In the absence of a study, such as the 'Auto/Oil II' proposed above, it would be difficult to establish, in a transparent manner at EU level, the additional cost for vehicles of meeting the standards.

2.12.3. These conditions — in particular the lack of a harmonized Community framework — could lead to distortions in the single market.

2.13. The Committee believes, on the other hand, that allocating such fiscal incentives to accelerate the replacement of older, and therefore more polluting,

vehicles could have a far greater, and more cost-effective, impact on overall emissions.

2.14. The Committee considers that the measures contained in the directive on fuel quality are appropriate regarding both the temporary extension of the period in which leaded petrol may be marketed and the requirement for higher-quality fuel in particularly sensitive areas, provided that Member States show that such quality criteria are necessary in order to protect the environment.

3. Specific comments

3.1. In the proposal for a directive on the quality of petrol and diesel fuels:

3.1.1. Article 9: replace 'a significant reduction in the sulphur content to come into effect on 1 January 2005' with 'a petrol and diesel sulphur content compatible with the new emission targets set for vehicles'.

3.2. In the proposal for a directive on emissions from motor vehicles:

3.2.1. The Member States which originally grant type-approval may invite the manufacturers to reach voluntary agreements in order to ensure control of compliance of vehicles in service with the provisions for in-service durability.

3.2.2. Article 5: replace 'a further tightening of the emission standards' with 'new emission values reflecting air quality trends in the European Union and the results of the latest technical studies and cost-benefits analyses carried out by the European Commission with the cooperation of the industrial concerns in question in the framework of the Auto/Oil II Programme'.

(¹) OJ No C 155, 21. 6. 1995; OJ No C 18, 22. 1. 1996; OJ No C 212, 22. 7. 1996.

Brussels, 24 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on 'The European Union and the external dimension of human rights policy'

(97/C 206/21)

On 11 July 1996 the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an opinion on 'The European Union and the external dimension of human rights policy'.

The Section for External Relations, Trade and Development Policy, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 15 April 1997 by a majority vote, with one vote against and three abstentions. The rapporteur was Mr Etty.

At its 345th plenary session (meeting of 24 April 1997), the Economic and Social Committee adopted the following opinion by 89 votes to 10 with 14 abstentions.

1. Introduction

The principal aim of this opinion is to indicate what, in the ESC's view, should be the main thrust of a coherent, consistent EU human rights policy. The Committee also calls for the key elements of this policy to be the subject of wider debate in Europe than has hitherto been the case.

An important basic principle which the ESC feels should be applied here is that internal and external human rights policies should be firmly linked. The opinion thus pays considerable attention to this link. This represents an undisguised attempt to kill two birds with one stone by issuing an opinion on both the internal and external aspects of human rights policy. The comments on internal human rights policy have deliberately been couched in general terms and are always governed by what is considered necessary in the context of the EU's external human rights policy.

Moreover, if the EU's human rights policy is to be both consistent and coherent, clearer links must be established between EU policy and the policies of the Member States in this field. The question of whether human rights policy should be determined at intergovernmental level or EU level cannot remain undecided for very much longer. The ESC inclines towards (ultimately) opting for a policy determined at EU level, provided that adequate democratic control can be ensured.

Finally, the ESC would reiterate that, however important the EU may by now have become as a political and economic player on the world stage, if it wishes to create a better environment for the observance of basic human rights in the world, it should, in collaboration with the Member States, continue to seek to strengthen the United Nations.

Within these main guidelines, the ESC opinion puts forward a number of concrete proposals in respect of short-, medium- and long-term human rights policy.

2. General observations

2.1. Precisely because the political and economic importance of the EU on the world stage has increased to such a large extent and also in view of the enhanced standing of human rights as a factor in both the EU's internal and external policy, as set out in the Treaty of Maastricht, the Commission took the right course of action in deciding at the end of 1995 to address the issue of the external dimension of the EU's human rights policy (see COM(95) 567 final).

2.2. The survey set out in the Commission's Communication to the EU Council and the European Parliament, of the progress made to-date in the EU's human rights policy looks at the principles, priorities and instruments involved and provides the Economic and Social Committee with a welcome opportunity to undertake an initial, comprehensive assessment of this policy.

2.3. The Commission's Communication clearly indicates what the Commission regards as the EU's most important tasks in the short and medium term, the new issues which it wants to address and the most important strategic options to be pursued in order to improve both the consistency and the results of EU human rights policy.

2.4. The Commission document lacks clear, strategic guidelines for the implementation of a coherent human rights policy. The ESC has the impression that EU policy to date has generally been determined on a case-by-case basis. Be this as it may, the fundamentals of this policy have never been the subject of a public debate. The ESC takes the view that such a debate is indeed highly necessary and that the abovementioned guidelines need to be spelt out; needless to say, they must continue to ensure adequate flexibility with regard to the policy.

2.5. The document sets out a large number of declarations and intentions which are primarily of a

general, fundamental nature. This is, in the ESC's view, understandable given that this is the Commission's first report on the subject. The ESC however hopes and expects that, in the not too distant future, the Commission will issue a more specific, detailed document which does more than set out guidelines for the work to be carried out by the Commission during its mandate, as is the case with the above-mentioned Communication.

2.6. It is noticeable that the Communication skates over the question of the link between the EU's internal and external human rights policy. It is logical for the communication to address the external dimension of EU human rights policy. The internal and external aspects of this policy cannot, however, be addressed separately. This point must be taken into consideration not only in respect of the consistency of the policy. It is also important for the EU to establish a clear link between both arms of its human rights policy, with an eye to achieving its policy objectives in respect of non-EU countries, even if this only involves being asked to take a stand on values on which it challenges other countries and calls upon them to respect.

2.7. No attention whatsoever is paid to the linkage between the human rights policy of the EU and that of its Member States, both as regards the policy pursued in the past and that to be pursued in the period for which the Commission communication has set out guidelines.

2.8. The key issue which unfortunately continues to receive too little attention is how the EU is to take decisions on human rights policy in the future.

2.9. The EU cannot pursue an effective human rights policy in isolation. Proper implementation of the UN's monitoring mechanism is one of the first prerequisites for protecting human rights at worldwide level. The EU and its Member States should therefore make an effort in the next few years to secure improvements in UN procedures in respect of reports, complaints and investigations and the 'charter-based' procedures. Endeavours must be made to achieve a high level agreement with the UN in respect of a number of the activities pursued by the EU.

3. Specific observations

3.1. *Linkage between the internal and external human rights policies of the EU*

3.1.1. All EU Member States are currently in fact already signatories to the European Convention for the protection of human rights and fundamental freedoms. The ESC takes the view that it is desirable to strengthen the EU's internal human rights policy with a view to

consolidating the corresponding external policy. There would appear to be three ways to strengthen the EU's internal human rights policy: EU accession to the European Convention for the protection of human rights and fundamental freedoms; the drawing-up of the EU's own 'bill of rights'; and incorporation of a number of specific provisions on human rights in a protocol to the EU Treaty.

3.1.2. The communication deals briefly with the first option, without taking a clear stance on the matter. In the meantime, a European Court of Justice opinion, issued on 28 March 1996, stated that the only way in which the EU could accede to the abovementioned European convention would be by amending the EC Treaty.

The ESC considers that, in the light of the Court of Justice opinion, the governments of the Member States, which have all ratified the European Convention, must seek to ensure that sooner or later a provision is incorporated into the EC Treaty empowering the EC to accede to the above Convention.

As things stand at present, it is very unlikely that a consensus can be reached between the Member States on this matter. There are also a large number of legal obstacles to EU/EC accession to the European Convention. The European Court of Justice has not yet given its views on this matter. The upshot of all this is that accession is not an option for the foreseeable future.

3.1.3. The second possibility is to draw up an EU 'Bill of Rights' incorporating not only civil and political rights (as is the case with the abovementioned European Convention) but also economic, social and cultural rights, as laid down in, inter alia, the European Social Charter⁽¹⁾.

Such a Bill of Rights should not of course prejudice the rights laid down in the above European Convention and the European Social Charter.

A Bill of Rights can be established in one of two ways:

- by including of a provision in the EC Treaty committing the Community to establish such a bill; or
- an existing model could be incorporated in a protocol to the EU Treaty. The declaration on human rights drawn up by the European Parliament could be an appropriate model.

⁽¹⁾ See: for a Europe of Civic and Social Rights. Final Report — March 1996, Report by the Comité des Sages chaired by Maria de Lourdes Pintasilgo.

This option, too, is probably more of a longer-term option. It is likely that much time and discussion will be taken up with the choice of the fundamental rights to be set out in the Bill, their field of application, the precise status of the instrument and the precise definition of the rights.

The ESC hopes that the Commission will succeed in translating the debate on this long-term objective into a concrete policy as soon as possible.

3.1.4. As it does not look as if comprehensive measures will be introduced in the short term to strengthen the EU's internal human rights policy, the ESC proposes that a number of specific human rights provisions be incorporated in the new protocol to the Treaty of Maastricht. This covers not only provisions to give more detailed effect to the principles of equality and non-discrimination as part of the campaign against racism and xenophobia, currently under discussion in the IGC, but also the inclusion of (a) a number of economic and social rights listed in the declaration made at the Council of Ministers' meeting in Luxembourg in 1991 and (b) economic and social rights enshrined in a number of human rights conventions drawn up by the International Labour Organization (ILO) (Conventions 29 and 105 on forced labour, Conventions 87 and 98 on the freedom of association and to engage in collective bargaining and Convention 111 on discrimination in respect of employment and occupation, which outlaws discrimination on grounds of race, skin colour, religion, gender, political views, nationality and social origin). The ESC also has in mind provisions to outlaw trafficking in human beings and the most exploitative and dangerous forms of child labour. The Committee also favours provisions to strengthen the rights of children, particularly in respect of education and training⁽¹⁾.

3.2. *Principles, activities and instruments so far provided for under the policy*

3.2.1. It goes without saying that the ESC categorically and unreservedly endorses the principles on which the EU human rights policy is based (universal and indivisible human rights and the interdependence between human rights, democracy and development). The EU Member States were signatories to the Final Declaration and the Action Programme adopted at the UN's second world conference on human rights, held in Vienna in June 1993. The ESC therefore assumes that EU human rights policy will be developed in accordance with the policy agreed in Vienna.

The ESC also endorses the Commission's view as regards the policy implications of these principles, in particular in respect of the relative nature of the principle of 'non-interference'; the expression, in whatever way, of concern over the violation of human rights and the insistence on these rights being respected cannot be regarded as interference in the internal affairs of a state

— these subjects are an important, legitimate part of dialogue with non-EU states. The ESC also takes the view that, in discussions of human rights problems with non-EU states, the EU must take full account of the major political, economic, social, cultural and religious differences between the various countries in the world, of the time which may be required to bring national practices into line with international standards, and of the specific needs of some states; this is necessary to enable these differences to be catered for when possible solutions are being discussed; such talks need to be hallmarked not only by care and mutual respect but also by a spirit of criticism and openness.

3.2.2. The IGC has been asked to consider whether common foreign and security policy should be an intergovernmental or a Community policy. This issue is of course closely bound up with the question of whether or not decisions would be taken on the basis of a unanimous vote.

The common foreign and security policy is, on paper at least, a twin-track policy; it is based primarily on an intergovernmental approach, but there is a move towards a Community approach.

The ESC would like to see the Commission examine the long-term possibilities as regards the partial extension to human rights promotion of majority voting in respect of the issues of common foreign and security policy. Such a step would only be possible if considerable progress were made beforehand in bringing about greater democracy in the EU, in particular by granting the European Parliament full joint legislative and monitoring powers. The advantages of majority-voting in respect of human rights policy are clear: the attainment of a uniform, consistent policy; the combining of forces; external recognition of the EU as an economic and political block; and greater effectiveness of EU work.

3.2.3. As regards the EU's specific activities, it has in the last few years rightly paid considerable attention to vulnerable groups and the social protection of these groups. The ESC hopes that the EU will continue to place emphasis on these points in its future policy.

3.2.4. In the agreements which it has concluded with third countries, the EU has also rightly sought to pursue a twin-track approach to promoting respect for human rights: on the one hand, it has taken positive steps to encourage greater respect for fundamental human rights in partner countries, whilst, on the other hand, being ready to apply sanctions as a last resort. The ESC hopes that this approach, combined with moves to base EU external human rights policy more clearly on its internal human rights policy, will help to enshrine dialogue as a means of solving the problems which have arisen.

⁽¹⁾ See the UN Convention on the Rights of the Child (1990).

The ESC notes that agreements with third countries do not yet include adequate arrangements for monitoring compliance with human rights clauses. The establishment of such monitoring arrangements may in future make an important contribution to the creation of an EU human rights policy. An initial and very important prerequisite in this respect is to compile a system of annual reports, which would normally be available to the public, on the human rights situations in all states with which the EU has concluded agreements or is to conclude agreements. Information can be collated by the EU's representatives in the various states. This presupposes that EU officials receive adequate training in this field. Use may also be made of material obtained from bodies representing the Member States, independent investigative bodies and non-governmental organizations.

3.2.5. The ESC shares the Commission's view that the ILOs' human rights conventions are important instruments of human rights policy.

The ESC is however surprised to note that the rights enshrined in ILO Convention No 111, dealing with discrimination in respect of employment and occupation, are not included amongst the social rights which the Commission states it wishes to promote in the context of bilateral relations. It is very important that the EU clearly indicates that it is consistent in its desire to secure improved observance of all five of the ILO conventions on basic human rights, including the outlawing of discrimination on grounds of race, colour, religion, gender, political views, nationality and social origin.

Furthermore, the ESC does not share the Commission's (apparent) view that international labour standards drawn up by the ILO are either exclusively or mainly of relevance in the context of bilateral or multilateral trade relations. The ESC takes the view that there is much more scope for EU-ILO cooperation in the field of human rights in a way which ties in well with the objectives of EU policy. A case in point here is the technical cooperation and practical support which the ILO (with its unique tripartite structure) can give the EU in its efforts to strengthen democracy and human rights in the world. Particular attention should be paid to the problems of indigenous peoples (regarded by the Commission as one of the special target groups of EU human rights policy). The only international agreements to protect indigenous people are the conventions drawn up by the ILO.

3.3. *Future policy*

3.3.1. The Commission rightly attaches considerable importance to preventive aspects of its policy to promote human rights and democratic principles. The ESC both

hopes and expects that the EU will work closely with the UN and the Organization for Security and Cooperation in Europe (OSCE) in this area. The EU and its Member States must work for strengthening and reform of the UN and its agencies. Such an approach would be in accordance with the positive stance towards the UN and the OSCE demonstrated by the Commission in its policy review. Such an approach also need not jeopardize the transparency of EU human rights policy, which the Commission regards as an important strategic consideration.

3.3.2. On the subject of the consistency and effectiveness of EU human rights policy, the ESC would reiterate the need for closer links between the work of the EU and that of the Member States in this field. The Commission does not go much further than simply expressing the desire for improvements in the exchange of information. It must surely be possible, however, in the field of (aspects of) human rights policy to coordinate policy on a regular basis and to achieve a degree of work-sharing (e.g. in relations with international bodies). In this context reference is made once again to the abovementioned recommendation with regard to drawing-up of reports on the human rights situation in countries with which the EU concludes agreements (see point 3.2.4 above). A more ambitious — but in the long term necessary — step is the introduction of assessment arrangements for EU human rights policy.

Efforts must also be made to make the human rights policy more cohesive — up to now it has been implemented in a rather fragmented way (e.g. in relation to peace and security, economic policy and policy on development cooperation).

3.3.3. In the ESC's view, the Commission should, in the section dealing with strengthening and broadening the scope of EU instruments, state that the EU wishes to make a distinct contribution to the campaign to achieve (still) broader ratification of the ILO Conventions on basic human rights. This campaign was triggered by the social affairs' summit, organized by the UN in 1994, and given added impulse by the World Trade Organization ministerial conference held in Singapore last December⁽¹⁾. The EU should also seek to promote the establishment of a special complaints procedure to deal with violations of ILO Conventions 29 and 105 on forced labour and Convention 111 on discrimination; this procedure could be based on the 'freedom of association procedure' introduced by the ILO in respect of Conventions 87 and 98 dealing with the most important freedoms to join trade unions.

The Commission already supported both these measures in its communication, dated 19 July 1996, to the Council

⁽¹⁾ In this context it should be noted that Ireland, Britain and Luxembourg have still not ratified ILO Convention 111. All the other EU states have ratified the five ILO Conventions on basic human rights.

on the subject of the WTO conference ('The trading system and internationally recognized labour standards').

In both these campaigns there is also a need for a careful division of tasks between the Commission and the Member States.

3.3.4. A policy to promote the rule of law, democracy and human rights will almost always be a long-term matter. Furthermore, we are regrettably in all likelihood not dealing here with occasional cases in which these values are under threat. Vast sums of money may be at stake. For the Committee this is a further reason to urge the EU to coordinate its policy effectively with that of the UN. If the EU is clearly seen to be adopting a multilateral approach, this would put it in a strong position to secure greater acceptance for such a stand from those Member States which are major contributors to the UN budget.

3.3.4.1. The Commission document ignores involvement of non-governmental players, such as enterprises, in infringements of human rights. In the ESC's view this matter should be discussed between the Commission and the business world; discussions should cover the observance of particular rules of conduct — in countries accused of systematic and sustained violation of basic human rights — by enterprises which operate at international level and have registered offices in an EU Member State. The ESC wishes to be involved in the formulation of Commission views on this subject.

The ESC is closely following the debate on the social responsibilities of enterprises and has noted with interest the codes of conduct drawn up by a large number of enterprises in respect of their activities; these codes of conduct frequently also make reference to human rights. The Committee feels that these codes could best be framed via cooperation and negotiations between the social partners, as this would be a more effective guarantee of consistent conduct and the commitment of all players in achieving the declared objectives. The ESC welcomes the fact that enterprises have set out guidelines for their conduct but would point out that if hundreds of enterprises draw up all sorts of differing codes of conduct, a very disorderly situation will arise. An important point which needs to be raised in this context is how the observance of these codes is to be monitored. The ESC strongly urges that enterprises expressly link their codes of conduct to the codes of conduct for multinational enterprises drawn up a considerable time ago by the OECD and the ILO.

3.3.5. The ESC takes the view that the EU (working in close cooperation with the Member States) should

seek to bring about improved cooperation between the international bodies dealing with human rights policy or whose activities may have an impact on the human rights situation in those countries in which they operate. The incorporation in international trade agreements (in particular agreements within the framework of the WTO) of a social clause aimed at promoting respect for basic social rights is one potential area for cooperation, but it is certainly neither the only example nor the most significant one. The EU Member States should make a special effort to alert the International Monetary Fund and the World Bank to the need to observe basic human rights in the context of economic reform processes initiated by these two bodies in conjunction with governments.

The ESC also strongly endorses the Commission's intention of continuing to promote the work of NGOs in the field of human rights and of cooperating with these bodies. This constitutes a valuable complement to the role which the organizations represented at the ESC (employers, workers and others) are already fulfilling in this area and wish to go on fulfilling in the future, preferably in collaboration with their counterparts in the non-EU states concerned, e.g. by participating in the implementation of the relevant projects. The ESC is interested in the Commission's conception of the role which NGOs could play in (a) monitoring the human rights situation in states with which the EU has concluded agreements (see point 3.2.4 above) and (b) promoting awareness of human rights in those states.

The Committee thinks it important for the EU to support the gradual adoption of economic measures by local players in countries where production operations and services are being set up with EU financial assistance. The Committee is aware that a development of this kind, designed to promote greater autonomy for the social partners, provides an opportunity for more public involvement in public life and is a tool capable of helping significantly to protect and promote human rights in the future.

3.3.6. Finally, the ESC would like to put forward three practical proposals for measures which the EU could take in the context of its short and medium-term human rights policy. These proposals are as follows: the establishment of an advisory body; the publication of a 'Human rights reference handbook' and joint action to counteract attempts by third countries to make agreements subject to qualifications.

3.3.7. The ESC calls upon the Commission to examine the scope for establishing a European advisory committee on human rights. The governments of some EU Member States have already set up such independent advisory bodies.

The ESC wishes to be involved in the implementation of this proposal. Such a committee could help to pinpoint problems and formulate solutions for possible incorporation in the future development of human rights policy.

3.3.8. Under the previous Netherlands presidency of the EU, the initial decision was taken to publish a 'Human rights reference handbook'. The book was published by the British presidency of the Council. The book, which was both descriptive and practical, was very well received and is still widely consulted. The

publication of a revised, updated version would certainly fulfil a need. Attention should be paid in particular to developments which have taken place in the EU's common human rights policy since 1992.

3.3.9. Initial cautious attempts are being made in the EU to agree on joint action to counteract fundamental reservations put forward by third countries in respect of international human rights agreements. Such reservations certainly do not help to strengthen international legal standards.

The ESC approves the line pursued by the EU and its Member States in this field. It calls for steps to be taken to identify (a) the procedure which is being applied or should be applied and (b) the EU body which should take the lead in any action which may be taken in this field.

Brussels, 24 April 1997.

*The President
of the Economic and Social Committee*

Tom JENKINS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Decision concerning the organization of cooperation around agreed Community energy objectives' (1)

(97/C 206/22)

On 27 January 1997 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Energy, Nuclear Questions and Research, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 April 1997. The rapporteur was Mr Hernández Bataller.

At its 345th plenary session of 23 and 24 April 1997 (meeting of 23 April), the Economic and Social Committee adopted the following opinion by 79 votes to one with two abstentions.

1. Introduction

1.1. The purpose of the draft decision submitted by the Commission is to set out broadly-based Community objectives in the energy sector and to establish a framework for cooperation around these agreed energy objectives.

1.2. The draft decision includes a list of energy objectives basically covering competitiveness, environmental protection, security of supply, external energy relations and the promotion of energy efficiency and renewable.

1.3. The starting point for the proposal is the Resolution of the Energy Council of 7 May 1996 on the White Paper 'An energy policy for the European Union', which invited the Commission to put in place a process of cooperation between the Community and the Member States in order to ensure that Community and national energy policies are compatible with agreed common energy objectives. These energy objectives were identified in the Council Resolution of 23 November 1995 on the Green Paper 'For a European Union energy policy'.

1.4. As indicated in numerous ESC opinions, energy is one of the key elements in Community competitiveness and in the quality of life of its citizens. As a strategic resource and sine qua non for economic growth and well-being, it will have to play a major role in the process of economic convergence.

1.4.1. Similarly, the current economic and commercial globalization (in which energy plays a particularly important role), the development of the internal market and the interaction between energy and the environment have all pointed to the need to develop a comprehensive energy policy.

1.5. To this end the Commission published a Green Paper 'For a European Union energy policy' on which the Committee gave its views in its opinion of 5 July 1995; the comments made in this opinion still reflect the Committee's current thinking.

1.5.1. The Green Paper was followed by the White Paper on an energy policy for the European Union — on which the Committee was not consulted — in which common energy objectives and a five-year illustrative work programme were drawn up.

1.6. The Committee has emphasized that the adoption of energy-related decisions at Community level must be based on a joint analysis of both the current energy situation and future prospects; this will require close cooperation between the Member States and the Community in carrying out energy studies and analyses, without prejudice to the work carried out in the International Energy Agency.

1.7. It should be pointed out that in its previous opinions on Community energy policy (2), the Committee agreed with the Commission on the need to establish a common Community energy policy as well as on the importance of establishing Community energy objectives and ensuring that national energy policies are consistent with these objectives and serve the interests of the common policy.

2. General comments

2.1. In keeping with its earlier opinions, the Committee welcomes the Commission initiative, which is aimed at increasing cooperation between Member States around agreed energy objectives, and which provides a response to the call made by the Council in its Resolution of 7 May 1996 on the White Paper on an energy policy for the European Union.

(1) OJ No C 27, 28. 1. 1997, p. 9.

(2) OJ No C 393, 31. 12. 1994; OJ No C 256, 2. 10. 1995.

2.2. The Committee would point out that the initiative should be seen as an important step towards a concerted approach to energy problems. In this regard, it is worth recalling that the Committee supported the introduction of an energy chapter in the Treaty in its own-initiative opinion on Community energy policy of 14 September 1994⁽¹⁾.

2.3. It therefore considers that the draft decision establishes an ambitious framework for cooperation, including a list of agreed energy sector objectives, together with the main Community instruments which may help achieve them. However, in order to ensure that this framework for cooperation is applied, at a later stage the way in which it is to be put into practice will need to be defined and Member State and Community responsibilities demarcated.

2.4. In this respect, the Committee regrets the excessively general way in which the proposal has been drafted. This will require subsequent expansion and implementation if the objectives it pursues are to be attained. The wide range of Member State and Community energy-related instruments, programmes and responsibilities means that proper cooperation must be established on the basis of the definition of common objectives and working methods ensuring both dialogue and transparency.

2.5. The Committee agrees with the Commission that the purpose is not to establish rigid sectoral energy objectives, but rather to concentrate on 'the energy cooperation policy process'. The aim is not to put national energy policies into a Community straight-jacket, but to ensure that national policies and measures in the energy sector are consistent with agreed Community energy objectives.

2.5.1. The Member States' energy sectors and policies will continue to reflect their available resources, policy options and socio-economic conditions, but this diversity will have to accord with a number of objectives agreed jointly at Community level.

2.6. The creation of a real internal energy market demands a sufficient degree of consistency between Member State energy policies and certain common objectives.

2.7. The Committee also believes that this framework for cooperation should not be restricted to an on-going exchange of information and a cooperative approach to energy studies and analysis, with a view to producing

regular reports assessing trends in the sector, but that it must represent a starting-point from which the Council can examine the state of the energy sector and the Commission can prepare whatever new proposals are necessary, the purpose being to guarantee compatibility of national policies with the agreed objectives.

2.8. The lack of a common energy policy or of greater cooperation in the energy sector results in duplication of Community and national measures. Since national energy policies and Community energy initiatives are complementary, they should be viewed as a whole, since their effectiveness depends on their consistency with each other.

3. Specific comments

3.1. Framework for cooperation

3.1.1. The framework for cooperation is set up in three of the proposal's articles. Article 1 establishes the objectives to be attained through the proposed framework; Article 2 lists the action to be taken by the Commission to achieve them; and, lastly, Article 3 calls on the Member States to inform the Commission annually of the measures taken by them to achieve the agreed energy objectives set out in the annex.

3.1.2. In this respect, the Committee believes that if the compatibility of national energy policies with the agreed energy objectives is to be verified, there will, in the future, need to be a clearer and more precise definition of how this cooperation, exchange of information and joint examination of national energy policies are to be established and maintained.

3.1.3. Similarly, the framework for cooperation will have to mobilize and reflect all levels of action — local, regional, national and Community.

3.1.4. The Committee backs the aim of increased transparency of action in the energy sector through the regular publication of a report on energy policy developments at Community and Member State level in relation to the agreed objectives. The report will serve as a basis for evaluation and adjustment of the energy objectives.

3.1.5. Lastly, the Committee urges the Commission to identify more clearly its own role within this framework. Apart from the exchange of information and its analysis and study work, the Commission's task should be to support Member State measures in the energy sector, in constant compliance with the principle of subsidiarity.

⁽¹⁾ OJ No C 393, 31. 12. 1994; OJ No C 256, 2. 10. 1995.

3.2. Objectives

3.2.1. The Committee generally endorses the objectives set out in the annex which accord with the green and white papers on Community energy policy and the relevant Council resolutions.

3.2.2. The Committee considers that the objectives, listed in the annex, must be flexible and general enough to respond to possible market changes and as a whole represent a guideline for Community action and Member State energy policy.

3.2.3. The Committee therefore believes it essential to reach a consensus on a number of clear, practicable Community energy objectives to help successfully face the present and future challenges in the sector. These objectives will serve as a benchmark against which to check the compatibility of Member State energy policies with Community actions.

3.2.4. Hence the Committee would point to the need to review the wording of the objectives with a view to making them clearer, removing ambiguity and avoiding contradictions or duplication.

3.2.5. Provision must be made for regular updating of the objectives in the light of the Commission's analyses and reports. Energy policy must be determined within the limits of the long-term economic prospects for the sector, and with due consideration for the political risk involved in extra-Community energy supplies. Flexibility and adaptability are therefore necessary in defining and implementing Community-level energy objectives.

3.2.6. The Committee would however point out that the simultaneous pursuit of some of the listed objectives could be hampered by contradictions between them. Consequently, priorities must be established and a balance struck between the objectives wherever possible, applying the flexibility and versatility demanded by such objectives.

3.2.7. Firstly, in order to clarify the proposal, a distinction must be made between three levels of objective to be pursued by energy policies and actions. They must be integrated in order to achieve a proper balance.

3.2.7.1. At the first level, energy measures — like all Community measures — must contribute to achieving the general objectives contained in Treaty Article 2. These include the establishment of a common market, the harmonious development of economic activities, respect for the environment, a high level of employment

and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion.

3.2.7.2. Beyond these objectives, however, energy policies must help achieve aims compatible with competitiveness, security of supply and environmental protection.

3.2.7.3. Lastly, and more specifically within the general framework established by the other two levels, Member State energy policies and Community actions must be consistent with the specific energy objectives set out in the annex to the draft decision.

3.2.8. In seeking to achieve these objectives, account must always be taken of the principle of subsidiarity, the principle of proportionality and economic and social cohesion.

3.2.8.1. Under the terms of Treaty Article 3b, the principle of subsidiarity means that in areas which do not fall within its exclusive competence, the Community shall take action only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can be better achieved by the Community. Community action must concentrate on areas where it can bring about real added value.

3.2.8.2. Similarly, the Community will take action, under its exclusive competence, where certain national policies create barriers to trade and other market distortions hampering the achievement of the agreed energy objectives, without prejudice to the aims of the Treaty and to the criteria for the public service and the services of general interest.

3.2.9. Specific comments on each of the objectives contained in the annex

3.2.9.1. Energy objectives set out in the Treaties

In accordance with its comments in its earlier opinion on the Green Paper 'An Energy Policy for the European Union'⁽¹⁾, the Committee feels that together with the objectives of market integration, sustainable development, environmental protection and security of supply, two further important general objectives should be added: creation of employment and economic and social cohesion, which must be taken into particular account in energy policies.

3.2.9.2. Integration of the Community energy market

The Committee agrees with the Commission that market integration is the central factor in all Community energy

⁽¹⁾ OJ No C 256, 2. 10. 1995.

action, since a fragmented market would leave such action at the national level. Integration of the energy market must include participation by all energy sources when a Community energy structure is being decided.

3.2.9.2.1. Secondly, the Committee wishes to emphasize the importance of developing the trans-European networks, in that they contribute to security of supply, the completion of the internal market and help strengthen economic and social cohesion. The Council Resolution on the Green Paper 'For a European Union Energy Policy' singles out as an objective 'the development of the requisite energy infrastructure, in particular trans-European networks, where the need arises and on economically viable terms'. For this reason, it is important to emphasize the need to mobilize adequate financial resources to attain this objective.

3.2.9.3. Transparent and undistorted energy prices

The Committee agrees with the Commission on the need to secure transparent and undistorted energy prices.

3.2.9.4. Sustainable development: integration of energy and environmental objectives

Given the growing international dimension of many environmental questions and greater public awareness of these issues, the Community will have an increasingly important role to play in this field. Integration of energy and environmental objectives is essential, although the appropriate balance must be struck between them. Preparations for all environmental actions or initiatives must include a cost-effectiveness assessment and measures to ensure uniform conditions of competition. The Committee stresses the importance of voluntary agreements in this area, together with the fact that use of the various economic instruments in this field must take account of industrial competitiveness.

3.2.9.5. Strengthening security of supply

The action to achieve this objective must be defined more clearly. The Committee points out that if this objective is to be met, it will be necessary to boost the following, amongst others: use of indigenous sources of energy, diversity of energy sources, flexibility in interconnecting networks, international cooperation to strengthen the Union's economic and political links with its supply areas, energy cooperation with third countries, and continuing to apply security, storage and mutual

support measures to cope with any interruption of supplies. Given the Union's continuing dependence on imported energy for the foreseeable future, cooperation with other major energy consuming areas will remain essential.

3.2.9.6. Coordinated approach to external energy relations

The Committee underlines the importance of coordinating external energy relations with third supplier countries and developing countries. Relations with third countries must be stepped up, not only in relation to security of supply, but also because energy sector cooperation can contribute to economic development and political stability. The role of the Energy Charter Treaty must be highlighted, as must cooperation with the countries of the Mediterranean basin.

3.2.9.6.1. While the Community has indeed assumed major international commitments through bilateral and multilateral agreements, these must be further strengthened if a solution is to be found to the problems arising from its considerable and growing external dependence, and the fact that many energy issues, especially where the environment is involved, have an international dimension.

3.2.9.7. Promotion of renewable energy resources and energy efficiency

The Committee welcomes the aim of promoting the use of renewable energy resources and increasing energy efficiency: these objectives can make a significant contribution to achieving a healthier environment and, in conjunction with the development of indigenous resources, reduce the Community's dependence on external energy resources, thereby boosting economic growth and employment. The Committee leaves further comment in this area to its opinion on the Green Paper on renewable energies.

3.2.9.8. New proposals

The following should also be included amongst the objectives:

- a) contributing to a high level of consumer protection and, to this end, providing information so that users may be able to make a useful contribution to energy policy;
- b) enhanced competitiveness of the Community industry in comparison with our main competitors: this entails energy supplies at non-excessive prices.

3.3. *Instruments available to the Community in the energy sector*

3.3.1. The Committee believes that as well as the definition of Community energy objectives, their practical implementation is crucial, as are the instruments required for this.

3.3.2. The Member States' reluctance to give up powers in the energy sector means that Community policy must focus on developing horizontal instruments on which consensus and greater Community-level coordination might be easier to achieve and more fruitful.

3.3.3. The Committee is aware that the attainment of the Community objectives involves using all the instruments provided under the Treaties in a coordinated fashion and in line with the principle of subsidiarity.

3.3.4. It would also repeat, however, the view expressed in its opinion on the green paper that when applying these instruments it is particularly important to define the responsibilities and powers of the Community and the Member States as clearly as possible.

3.3.5. The Committee underlines the importance of including the Community's trade policy and the common foreign and security policy among the instruments listed in the annex.

3.3.5.1. In this respect, it may be recalled that Treaty Article J begins by stating that 'a common foreign and

security policy is hereby established', and that 'the Union and its Member States shall define and implement a common foreign and security policy ... covering all areas of foreign and security policy'. In accordance with Article J.1(4), it is the duty of the Member States to support the Union's external and security policy actively and unreservedly, and to refrain from any action which is contrary to the interests of the Union or likely to impair its effectiveness as a cohesive force in international relations.

3.3.5.2. The objectives of this policy include promoting international cooperation. A number of instruments are also provided with which to achieve the objectives and implement the policy: systematic intergovernmental cooperation, joint positions, joint action and financial means. These are key instruments in ensuring security of energy supply, in view of the Community's large and growing external energy dependence.

3.3.6. The development of trans-European networks must be a further instrument to be taken into consideration in the energy sector, insofar as they not only contribute to facilitating completion of the internal energy market, but also increase flexibility and security of supply and encourage economic and social cohesion.

3.3.7. Lastly, the Committee would insist on the importance of stepping up research and development and the dissemination of new and better technologies in the sector, highlighting the need for Community research and development programmes to support the national measures adopted by the various Member States.

Brussels, 23 April 1997.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on 'The situation and problems of forestry in the European Union and potential for developing forestry policies'

(97/C 206/23)

On 21 December 1995 the Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an opinion on 'The situation and problems of forestry in the European Union and the potential for developing forestry policies'.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 April 1997. The rapporteur was Mr Kallio and the co-rapporteur Mr Wilms.

At its 345th plenary session on 23 and 24 April 1997 (meeting of 24 April), the Economic and Social Committee unanimously adopted the following opinion.

1. Aim of the opinion

1.1. The aim of this opinion is to examine the importance of the forestry sector — forestry and the forest industry — as a source of raw materials, economic wealth and employment in the EU. The opinion also considers how forestry policies should be developed so as to secure and enhance the role of the forestry sector as a generator of prosperity. As the commercial use of forests is an essential requirement for the generation of prosperity by the forestry sector, both national forestry policies and the EU's forestry strategy should be geared to promoting commercial use.

1.2. The use and management of forests must also be ecologically and socially sustainable. Special attention is focused on the measures required in the EU. However, the point of departure for the opinion is respect for the subsidiarity principle and its application to forest-related issues. Accordingly, the opinion does not take a stand on current national forestry policies or their development.

1.3. In this opinion the term forest industry refers to the manufacture of sawnwood, wood-based panels, woodpulp, paper and paperboard (FAO's definition).

2. The forestry sector in the Member States: present situation and importance

2.1. Multiple-use forestry

2.1.1. The use of forests in Northern countries and in central and southern Europe is best illustrated by the concept of multiple-use forestry, i.e. the integrated use of forests for a wide variety of purposes. The most important use from the EU's point of view is commercial use, that is, the production of raw wood as a raw

material for the forest industry, as a source of energy and for the production of cork and resin. Forests are also an important source of Christmas trees, seeds, berries, wild mushrooms and game. In addition, forests are used for various recreational activities and serve a number of important conservation functions (protection of soil and water systems). They also play a central role in the carbon cycle and the preservation of biodiversity. Moreover, a wide variety of cultural values attaches to forests. Respect for this multiplicity of values is an important consideration as regards the use of forests.

2.1.2. Forests constitute one of the EU's key renewable natural resources. They are the source of raw wood, which is processed by the forest industry into consumer goods of various kinds. For the most part, forestry industry products can only be substituted by products which are manufactured from non-renewable raw materials (e.g. metals, coal, oil). In order to ensure that future generations have a chance of survival, the present generation should, as far as possible, endeavour to use raw materials that are based on renewable rather than non-renewable natural resources. Consequently, it is important that the EU ensure that favourable conditions exist for the effective operation of the forestry sector.

2.1.3. Clearly, the way forests are managed largely depends upon the purpose for which they are used: for example, one part may be managed with the aim of maximizing timber production, another with a view to meeting conservation or recreational goals while another is set aside completely from commercial exploitation. However, even the commercial use of forests requires the application of forest management methods which are sustainable and pay due regard to biological diversity. As a rule, the various uses of forests can be easily reconciled with each other.

2.1.4. Although multiple-use forestry is a good description of the way forests are utilized in the Member

States, it should nevertheless be noted that patterns of use may vary greatly from country to country and are largely determined at local or regional level, principally by the owners. Thus, whereas in one country the entire economy may be based on the commercial exploitation of forests, in another the use of forests for recreational purposes may be very important. Owing to the differences in the pattern of forest use and the wide range of values that attaches to the use of forests, it is very difficult to formulate a detailed policy on forest use for the entire EU.

2.2. *Economic significance of forests and the forestry sector*

2.2.1. The forestry sector is of considerable importance for the EU and the economies of the Member States. The value-added of forest industry production (including printing and publishing) amounts to almost ECU 140 billion for the EU as a whole. In the period 1981-1993, the share of the forest industry in the EU's aggregate gross domestic product averaged about 2,4 %, but the shares for individual countries varied widely from 1 % to 6 %. Similarly, the value-added of forestry production is quite considerable in some Member States. The economies of the new Member States are highly dependent on the forestry sector, so that the EU now has more Member States for whom consideration of the interests of the forestry sector in EU decision-making is of prime importance.

2.2.2. However, the economic significance of forests does not consist only of the value-added generated by the forest industry and other forest-related industries. Forests are also a source of other benefits for which markets do not exist and thus whose market value cannot be quantified in terms of money, but which are nevertheless of vital economic importance. One such example is the protection which forests provide against erosion.

2.2.3. Forest industry products are also important export items for some Member States. In 1993, the total value of EU exports of forest industry products was ECU 25 billion (USD 37 billion) while the corresponding figure for exports of raw wood was ECU 0,7 billion (USD 1 billion). The value of forestry exports varies greatly from country to country. Similarly, the share of forest exports in each country's total exports varies substantially, from 0,4 % to 31,5 %. The new Member States are important exporters, in addition to which forest exports account for a large proportion of their total exports.

2.2.4. EU countries are also major importers of forest industry products. Indeed, at ECU 28 billion (USD 41 billion) the value of imports exceeds the value of exports.

2.2.5. With the accession of the new Member States, the EU's degree of self-sufficiency in forest industry

products has risen substantially. Nevertheless, there is still potential within the EU for increasing self-sufficiency. Clearly, the degree of self-sufficiency varies between countries, since a prerequisite for the efficient functioning of the single market is that Member States specialize in fields of production in which they have a comparative advantage. However, Member States still import substantial quantities of forest industry products from outside the EU and so there is still scope for increasing self-sufficiency. Raising the degree of self-sufficiency in forest industry products will make for more efficient use of EU resources and thus help to improve the present poor employment situation.

2.3. *Importance of the forestry sector as a source of employment*

2.3.1. The forestry sector is an important source of economic wealth and jobs in the EU. Some four million people are employed directly by the forest industry alone. Forestry, as a labour-intensive activity, also provides jobs for large numbers of people in silviculture and logging, both forest owners and skilled labour (independent operators of forestry company employees). In many Member States forest holdings are small and a large part of the work is done by the owners themselves. Altogether, there are some 12 million small forest owners in the EU. In many countries the use of forests for recreation and tourism provides even more jobs than timber production. The indirect employment effects of the forestry sector are also very significant and often greater than the direct effects.

2.3.2. The forestry sector is especially important as a source of employment in rural districts. In particular, forestry (logging/harvesting, transport and silviculture) and small-scale establishments in the mechanical wood industry play a key role in helping to preserve the vitality of the countryside.

2.3.3. Unemployment is a serious problem throughout Europe, with the EU's jobless total currently standing at nearly 20 million. Youth unemployment is a particularly difficult problem, being as high as 30 to 40 % in some Member States. Action should be taken to improve the operating environment of the forestry sector so that more jobs can be created.

2.3.4. In many countries, technical progress has generated a rapid increase in productivity in the forestry sector, with a concomitant rapid fall in the amount of labour needed per unit of production. Thus, for example, the workforce required in forestry and the forest industry has actually declined. However, this development has varied considerably from country to country depending

on the relative importance of the forestry sector in the economy. Rising productivity has not been unique to the forestry sector but has characterized development in most sectors of the economy. It should, however, be noted that higher productivity enables the European forestry industry to remain competitive on the global market and hence to better preserve existing jobs in the sector.

2.3.5. There is also scope for job creation in the forestry sector. In particular, there should be more investment in small-scale business activities related to forestry, the wood and paper industries, cork production, manufacture of furniture, recreation and tourism.

3. Social, economic and environmental considerations relating to forests

3.1. *Change in the objectives of international forestry policy*

3.1.1. The conduct of forestry policy has changed in the 1990s along with increasing international cooperation in the field of forest and environment-related issues (see point 5.1). Compliance with criteria drawn up for sustainable forestry has emerged alongside increased efficiency of timber production as an objective of international forestry policy. The criteria emphasize the importance of the economic, ecological and social sustainability of forests. New forums and groups have taken their place alongside traditional players in the field of international forestry policy and are taking a more active part in the forging of forestry and environmental policies. These new forums and groups include intergovernmental conferences and, in particular, environmental and standards organizations promoting the introduction of forest certification at national and international level. Environmental organizations often maintain that they represent the views of consumers on environmental issues, citing market forces and the like.

3.1.2. One of the most important landmarks as regards international cooperation in the field of the environment and sustainable forestry was the United Nations Conference on Environment and Development (UNCED), which was held in Rio de Janeiro in 1992. This was the first occasion on which forest-related issues were addressed on a global basis. UNCED signalled a reorientation of international forestry policy. The outcome of the conference was the adoption of principles on the management, protection and sustainable use of forests and the Agenda 21 action programme aimed at preventing the destruction of forests. The latest FAO report on forestry estimates that approximately 113 000 sq. kms. are lost annually, chiefly in tropical forests and in the developing countries. In addition, conventions were signed on climate change and biological diversity.

3.1.3. The second Ministerial Conference on the Protection of Forests in Europe, held in Helsinki in 1993, continued the forest debate and adopted a general

declaration and four resolutions on forests. The follow-up to the Helsinki Ministerial Conference has, in compliance with the UNCED decisions, focused on developing criteria and indicators for the sustainable management and use of forests at European level. Globally, work to promote the application of these principles in the boreal and temperate forest zones has been carried on within the framework of the Montreal Protocol and in tropical forests under the auspices of the International Tropical Timber Organization (ITTO).

3.1.4. In spring 1995, the UN Commission for Sustainable Development set up the Intergovernmental Panel on Forests (IPF) to promote consensus among the relevant parties and to draw up coordinated proposals for forest-related measures.

3.1.5. Trade and environmental issues are addressed mainly in discussions dealing with forest certification and ecological labelling. In addition, environmental management systems are used to improve the way in which firms treat the environment.

3.1.6. In fact, there has been a shift of emphasis away from the objective of sustainable timber production towards the ecologically sustainable management and use of forests. Biodiversity is an integral part of sustainable forestry. Biodiversity must be maintained and increased, and this should be duly taken into account in forestry policies and legislation.

3.1.7. It is widely recognized that forests fulfil a number of functions (timber, cork and resin production, forest conservation, recreation) and that these functions are equally important. This makes it easier to take economic and social aspects of forests into account. In rural districts, in particular, the cultural heritage and the employment of the local population must be safeguarded, citizens' participation in decision-making must be preserved and research and training must be promoted. However, without belittling the significance of the other purposes for which forests are used, timber production remains the most important function of forests. However, society must be made to recognize that, like timber, the other benefits deriving from forests are to be credited to the forest owner and should be valued as such.

3.1.8. The objective of ecologically sustainable forestry has been or is being integrated into Member States' forestry policies by means of international agreements. As this international process has advanced, it has become apparent that, when properly organized, timber production fosters the use of forests for other purposes. A prerequisite for taking account of social and environmental values in forestry practices is that timber production is commercially profitable.

3.1.9. Forestry strategy and Europe's forests are assuming increasing importance in the EU. In accordance with the new objectives of forest policy, social, economic and environmental considerations are now being integrated into policy with a view to achieving more diversified results.

3.2. *Criteria and indicators for sustainable forestry*

3.2.1. The criteria drawn up in the follow-up to the Helsinki Ministerial Conference stress the simultaneous maintenance of the different functions of forests and the need to further these functions where appropriate. These criteria are of great significance for Member States' forestry policies. The criteria and indicators for sustainable forestry approved by the EU provide a useful benchmark for national measures, with due attention to the principle of subsidiarity. Forest management and use must be economically, ecologically and socially sustainable.

3.2.2. The criteria and the quantitative indicators for monitoring compliance with them are applicable to all Europe's forests and they have been drawn up in collaboration with environmental organizations. Additional indicators are currently being developed at national level in some Member States so that the special characteristics of countries can be better taken into account. In some Member States, regional projects for monitoring practical implementation of sustainable forestry and testing the indicators of sustainability have been launched.

4. **The forestry sector in the Member States: problems and opportunities**

4.1. *Problems*

4.1.1. The most serious problems facing forestry relate to the environment. In some countries, air pollution is one of the most important of these problems. It has damaging effects on both trees and forest soils. In the longer term, the only way to save Europe's forests from the ravages of pollution is to permanently reduce pollution levels by cutting back production and consumption, by changing consumption habits or by switching to cleaner production methods as new technologies become available. For example, sulphur dioxide emissions have already been reduced in line with targets whereas efforts to reduce carbon dioxide emissions have been less successful.

4.1.2. Among the other environmental hazards to which forests are exposed are effluents, erosion, groundwater pollution and depletion, forest fires, damage caused by snow and storms and impoverishment of biodiversity. Many of these environmental problems are related to the growth of population and unsustainable consumption.

4.1.3. Forest fires are a particularly serious problem for the Member States in the south of the European Union and cause heavy costs. In the view of these

countries, the assistance provided by the EU for the prevention of forest fires and reforestation of areas swept by fire is inadequate.

4.1.4. The present fire prevention resources could be used more effectively by focusing on pre-emptive measures because reforestation of areas swept by fire is always the more costly alternative. In addition, a thorough investigation should be made into the causes of forest fires and more effort should be directed to combating the causes rather than to rectifying the consequences. The EU could examine how existing funds could be better put to use in the prevention of forest fires. Research and exchanges of information between Member States should be stepped up. It is particularly important in areas that are at risk from fire to plant native, fire-resistant tree species that are suited to local conditions instead of readily combustible species.

4.1.5. In enacting and implementing environmental legislation, Member States should give equal weight to the economic, social and ecological sustainability of forests, so as not to hinder the development of forestry and limit the scope for creating new jobs and economic wealth in the sector. In most cases it is rural districts where forestry is of great significance as a source of wealth. As was noted in Chapter 3, the twin goals of sustainable commercial exploitation of forests and preservation of the biodiversity of forests are compatible with each other, so that the use of forests should not be restricted unnecessarily.

4.1.6. A problem from the point of view of protection is international differences in concepts relating to environmental protection. Common concepts should be developed for protection areas and measures in the EU but without any reduction in the wide range of protection area categories applied at national level. There is a good reason for these different categories and they are geared to the socio-economic conditions prevailing in each region. A set of common, internationally comparable concepts has already been established for monitoring defoliation in forests. Hence data describing the state of forest protection could be incorporated in the European Forestry and Communication System (EFICS).

4.1.7. The fragmentation of forest ownership is both a problem and a source of opportunities. In some countries fragmentation has gone so far that it hampers the commercial exploitation of forests. Thus one potential resource is left unexploited. It is not clear whether the fragmentation of forest ownership has really led to timber supply problems in the forest industry or whether it is inhibiting the expansion of capacity in the timber industry. Forest owners have been able to reduce the

adverse effects of fragmentation to some extent through cooperation, within the framework of the EU's existing competition rules, in, for example the purchasing and marketing of timber (see point 5.1.4).

4.1.8. However, the advantages of widespread private forest ownership outweigh the disadvantages. Traditionally, private forest owners have managed their holdings on a sustainable basis as the aim has been to pass on forests in a healthy state to the next generation. Small-scale private forest ownership lacks many of the problems that afflict large-scale forestry. In the 1990s, much work has also been done in large-scale forestry to promote the diversity of the forest environment.

4.1.9. Similarly, increasing concentration in the forestry industry entails both problems and opportunities. It causes problems in the timber market because it means a further reduction in the already small number of potential buyers and thus less competition. But on the other hand, with the increasing globalization of the forest industry, the European forest industry needs larger firms if it is to compete successfully on world markets. Thus larger firms are the key to the preservation of a strong and profitable forest industry in Europe and the continued exploitation of Europe's forest resources.

4.1.10. In the post-war period, large areas have been afforested with the aid of public funds, which has led to an increase in both the total forest area and timber production. Although the expansion of the forest area is in itself a positive development, the provision of public support in line with EU policies could have adverse effects on competition in European timber markets. As yet, there is no clear evidence that competition has suffered. Afforestation alters the landscape, which is a problem in areas where there is little open landscape or where people are not used to a closed forest landscape.

4.1.11. Although forests are an important source of economic wealth and an essential part of the environment in which we live, the forestry sector has not been taken into account in a comprehensive manner in political decision-making in the EU. This has perhaps been the major policy problem facing the forestry sector. Many decisions taken in the EU have direct or, more often, indirect effects on the forestry sector. Yet no thought is given in taking these decisions to their repercussions on the forestry sector. This may partly reflect the fact that forestry and the forest industry have traditionally been part of the open (exposed) sector of the economy, so that political decision-making has been of notably less significance for them than it has been for, say, agriculture. It also partly reflects the relatively minor importance of the forestry sector in the economies of the 'older' Member States. The forestry, timber and timber-processing sector have won new importance in the EU; special efforts should therefore be made to guarantee the sector's competitiveness vis-à-vis non-EU countries. The interests of the forestry industry should be taken into account in a more effective way in, for example, EU trade policy.

4.1.12. The preservation of forest biodiversity is also influenced to a significant extent by decisions taken in other policy sectors, for example transport policy. Therefore common policy action is needed so that the interests of the forestry sector can be taken on board in an appropriate manner.

4.1.13. A potentially serious problem for the forestry sector is that legal instruments may be used to artificially favour recyclable fibre at the expense of virgin fibre. Virgin fibre and recyclable fibre represent different stages in the life-cycle of the same fibre, and so they should be treated equally. For example, the imposition of taxes on virgin fibre would improve the competitiveness of products made from non-renewable resources in relation to environmentally-friendly wood fibre. Such an artificial lowering in the competitiveness of virgin fibre would result in underutilization of Europe's renewable resources and weaken the carbon dioxide budget.

4.2. Opportunities

4.2.1. Forests are a key renewable resource in Europe. The low level of fellings in relation to forest growth is an indication that EU forests have been managed on a sustainable basis as far as timber production is concerned. As young forests mature the allowable cut will grow further, thus allowing increasing scope for using forests for conservation, recreation and other purposes.

4.2.2. In fact, fellings could be increased in Member States without endangering sustainable timber production and biodiversity. Indeed, a higher level of felling is necessary if the EU is to increase its forest industry capacity and hence its degree of self-sufficiency in forest products. Forest exports to non-EU countries could also be increased. Higher production in forestry and the forest industry would generate new jobs and add to economic well-being in Member States.

4.2.3. By developing forestry and small-scale operations in the mechanical forest industry new jobs can be created in rural districts, thus helping to satisfy a particularly urgent need. One option is to develop a 'network economy', for example along the lines of the North Italian model. The adoption of new forms of operation requires much in terms of training and information and new markets have to be found for the products concerned. EU funding could be used for these training and information purposes. Direct assistance should not be provided to the enterprises concerned. Rather, the first priority is to create the prerequisites for such activity, i.e. know-how and markets.

4.2.4. Besides being used for timber production, Europe's renewable forest resources are a potential

source of energy. A major problem for timber markets in several Member States is the lack of demand for small-sized timber. A market for this type of timber could evolve if this form of energy is developed. Renewable wood-based energy could be used as a substitute for non-renewable fossil fuels, a large proportion of which are imported from outside the EU. Wood-based energy is an environmentally-friendly form of energy, and making use of it would improve Europe's self-sufficiency in energy. The EU should also develop and promote the use of waste paper as an energy source for the same reasons as those cited for wood.

4.2.5. Both virgin fibre and recyclable fibre are valuable renewable resources, the use of which should be promoted. The utilization of recyclable fibre could be increased by building wastepaper incineration plants, and no legal obstacles should be placed in the way of these environmentally-friendly investments. Not even recyclable fibre can be recycled indefinitely, however; at some point in the manufacture of paper, recyclable fibre has to be replaced by virgin fibre. Wastepaper that is not fit for recycling should be used to generate energy. From the environmental view, it makes no difference whether recyclable fibre is used for manufacturing paper or generating energy, and so the market is the most efficient mechanism for determining how it is used. What is essential is that recyclable fibre is used productively and does not end up being transported to the rubbish tip.

4.2.6. Forest-based products are for the most part environmentally-friendly and so their widespread use would significantly reduce reliance on products manufactured from non-renewable raw materials, particularly in the building, furniture and packaging materials industries. By changing their consumption habits in favour of such products, consumers can help to improve the quality of their environment and at the same time make it possible for Europe's indigenous resources to be used more effectively. Such a shift in consumption patterns would also allow inroads to be made into Europe's heavy unemployment. Raising awareness among consumers would require a major information campaign by the EU. The EU should be guided by a long-term strategy, creating the conditions for replacing non-renewable raw materials with renewable ones. The EU should also use its influence to ensure that all legal impediments to, for example, the use of wood in construction and energy production are removed.

4.2.7. The growth of European forests has many direct positive effects on the environment. Forests are an important carbon dioxide sink — they efficiently fix carbon dioxide released by fossil fuels and thus help to improve Europe's carbon budget. Forests add to overall biodiversity and forest growth offers increased opportunities for felling, conservation and recreation.

5. Current forestry sector instruments in the EU

5.1. *Forestry and environmental policy instruments in the Member States*

5.1.1. Forestry policy comprises various policy instruments which decision-makers use to achieve the objectives they have set for forestry. This definition contains four basic elements:

- 1) identification of the decision-maker (policy-maker);
- 2) definition of policy objectives;
- 3) distinguishing between policy objectives and instruments;
- 4) policy implementation.

5.1.2. Policy-makers comprise representatives of government and socio-economic interest groups. Various forestry interest groups and political parties also participate in the decision-making process. The point of departure for formulating policy is the definition of policy objectives, often in the face of conflicting interests. The key issue here is: How should forest resources be exploited and developed? Forestry requires planning and control because, in many parts of Europe, tree-growth is slow, so that measures taken today have repercussions reaching far into the future. Among the forest policy instruments traditionally used to achieve the objectives set for forestry are laws and regulations, institutional means, subsidies and taxation, research, education and training and provision of advice and guidance.

5.1.3. Up to the 1970s, forest policy in the Member States focused largely on increasing timber production and expanding the forest industry. Legal instruments have been used with the aim of maintaining and increasing forest resources, for example by requiring forest owners to regenerate felled areas. In several countries, including France, Ireland and the United Kingdom, subsidies have been used to encourage large-scale afforestation so as to increase self-sufficiency in timber supplies. Some measures, such as silviculture, planting, construction of forest roads and afforestation of farmland, are supported in nearly all EU countries.

5.1.4. Forest ownership in the EU is fragmented. At least in some Member States, small private forest owners are being encouraged to form larger operating units so that forest policy can be implemented more effectively. In the Nordic countries, private forest owners have for many decades participated in various forms of cooperation which have served to promote sustainable forestry practices.

5.1.5. In the implementation of forest policy the aim is to influence the behaviour of a selected target group, for example the way in which forest owners manage and fell their forests. The main target group of national support measures in EU countries are private forest owners. Some Member States also invest heavily in training and information. Experience suggests that voluntary measures are the most effective way of influencing the conduct of forest owners.

5.1.6. Although reference has generally been made in forest legislation to the various functions of forests, it was not until the 1980s that concrete measures first began to be taken to promote the use of forests for purposes other than timber production. However, the integration of environmental policy into forest policy may have made it difficult for some forest owners to accept the fact that environmental authorities, who stress protection and landscape values, now have a say in decisions affecting forests. The use of forests for recreational purposes has for long been a focus of interest in, for example, the Netherlands, no doubt because of its large population.

5.1.7. Mirroring international conventions (UNCED, 1992) and resolutions (Helsinki Ministerial Conference), the focus of interest in forest policy has broadened in the 1990s from a narrow concern for purely economic considerations to include consideration of issues related to nature conservation and biodiversity. From being an integral part of national economic policy, forest policy has moved increasingly in the direction of international environmental policy.

5.1.8. One of the EU's key instruments for the preservation of biodiversity is the Directive on the conservation of natural habitats and the Natura 2000 network of protected areas that is to be created on the basis of it. Natura 2000 is identified as an important means of nature conservation in the progress report on the implementation of the EU's Fifth Environmental Action programme. Implementation of the directive is underway in Member States and the areas that will be included in the network are currently being selected and inventoried. In several Member States forests are an important component of environmental and land-use planning and thus the network will include extensive tracts of forest. In some Member States implementation of the Natura 2000 network has caused concern among landowners who feel that insufficient account has been taken of their views in deciding on the protected areas. Decision-making in this area must remain at national level and all interested parties must be consulted.

5.2. *The legal framework*

5.2.1. The broad outline of possible Community involvement in forestry policy was laid down at the Forest Conference held in Brussels, under Commission auspices, from 9 to 11 June 1959; this has, ever since, formed the core of international discussion papers and

strategy documents. The aim has been to maintain forest levels and quality, to coordinate information, research and training, to market timber and to back up operational structural measures.

5.2.2. However, a number of legal aspects must be considered when applying forest policies:

5.2.2.1. The Treaty establishing the European Community makes no provision for a common forestry policy. Articles 2 and 3 (tasks and activities of the EU) make no mention of responsibilities in this field. The conclusion that the allocation of tasks inevitably confers the authority to carry out those tasks is untenable since it would run counter to the 'restricted authorization' principle derived from Articles 189 and 235 of the EC Treaty.

5.2.2.2. However, the substantial and, in the case of privately owned woodland, often operational link between agriculture and forestry may be of importance here since the Community may accrue responsibilities for an area not expressly covered by the Treaty, such as forestry, where these arise from the need to act in another area; in this case agriculture, in which the Community clearly does have responsibility (implied powers). Justification for action in this case does not relate to objectives, as provided for in Article 235, but rather to existing responsibilities under the terms of the Treaty.

5.2.3. Article 43 of the EC Treaty, which outlines the common agricultural policy makes no provision for large-scale forestry policy. The fact that forestry is omitted from Article 38 paragraph 1 (common market) precludes interpreting Article 43 in this wider sense. It is often claimed that the term 'products of the soil' found in Article 38 also includes timber. That may be true, but the claim remains unsubstantiated since timber is not mentioned in Appendix II of the Treaties of Rome.

5.2.4. Targeted silvicultural measures can however be justified on the basis of Article 43 alone. A number of examples exist: Regulation 269/79 (Promotion of forestry in certain Mediterranean zones), Regulation 2328/91 (Structural aid for forest measures) or the far-reaching Regulation 2080/92 with its arrangements to provide aid for the afforestation of farmland.

5.2.5. The introduction of Article 130s in conjunction with Article 130r (environment policy objectives) removed the need for a number of Regulations to be adopted on the basis of Article 235 in conjunction with Article 43. Regulations 3528/86 and 3529/86 on the protection of forests against air pollution and fire were only vaguely linked to the common agricultural policy. Today, the common environment policy offers a suitable legal basis for forest-related issues of this kind, as demonstrated by the relevant amending Regulations (i.e. 1613/89 and 1614/89).

5.3. *The Community Forestry Action Programme*

5.3.1. The Forestry Action Programme was proposed in 1988 and adopted by the Council the following year. It was improved and expanded in 1992 to collate the various forestry activities undertaken since 1979 into one coherent framework.

5.3.2. The Forestry Action Programme broadly relates to five areas in which there is scope for action:

- 1) the afforestation of farmland;
- 2) the development and status-enhancement of forests in rural areas;
- 3) the promotion of cork as an 'agricultural' product;
- 4) the protection of forests against air pollution and fire;
- 5) advice, information and communication (back-up measures).

6. *Need to develop national forest policies and EU forestry strategy*

6.0.1. The EU needs a forest strategy comprising a range of Community-level actions which secure and foster the use and management of renewable forest resources in a way which is economically, ecologically and socially sustainable.

6.1. *An integrated approach to forest management, the environment and timber production*

6.1.1. It is vital for forestry that the EU's forest strategy is as effective as possible and makes the greatest possible contribution to the EU's overall welfare. The creation of an integrated strategy has been hampered by the multiple functions which forests serve. For example, a forest strategy can cover the production of timber or other forest products such as cork and resin, environmental measures or recreational use. There must be separate strategies for each of these functions, but at the same time they must be in harmony with each other. However, the main commercial function of forests, the production of timber, should be guided primarily by market forces. As each country has its own social history and culture regarding the use of forests and the relative importance of the various functions varies from country to country, it is only logical that each Member State should continue to formulate its national forest policy in accordance with its own needs.

6.1.2. EU Member States have long applied the traditional instruments of forest policy to regulate the management and use of forests in an effort to increase

forest resources and preserve forests for future generations. Indeed, the concept of sustainable forestry has long been a guiding principle of silviculture in Europe. In most cases, policy has been used to create the framework for forest management and use and timber production has been determined by supply and demand within this framework. In addition to timber production and other commercial uses of forests, forests serve other functions for which no markets exist; the important role played by forests as a carbon sink and producer of oxygen is a case in point. These vital non-commercial functions of forests are largely to do with their environmental effects and so they also fall within the sphere of environmental policy. As a rule, both forestry and environmental policy instruments are used to influence these functions.

6.1.3. Forest certification is one example of how market forces are being used to influence the use and management of forests so that non-commercial forest functions are better taken into account. As international cooperation in the field of forestry and environmental issues intensifies and globalization increases, more parties are seeking to influence decision-making on issues related to the use and management of forests. There is a danger here that the commercial exploitation of forests will be restricted unnecessarily.

6.1.4. The experience of several Member States suggests that timber can be produced efficiently whilst preserving the natural features of the forest and attending to environmental needs. Timber production helps to further the use of forests for other purposes and is currently creating the economic base for such activities. The 'use it — or lose it' notion well illustrates the situation pertaining in forestry.

6.1.5. In Europe, forest ownership is broadly based: the state, other public bodies and large companies own extensive tracts of forests whereas privately-owned family holdings are small. The pattern of European forest ownership, as characterized by a large number of individual owners and decision-makers, has guaranteed that the natural features of the forest have been taken into account in forestry practices. For millions of small private owners the forest means not only a source of employment and livelihood, but also the management of natural wealth and the cultural landscape as well as their preservation for future generations. The right of forest owners to take decisions concerning their own holdings must be preserved in the future. Careful consideration must also be given to how many additional new areas should be withdrawn completely from commercial use. In many cases, the biodiversity of nature and the environment can be taken care of by adopting more environmentally-friendly practices in the exploitation of commercial forests.

6.2. *Timber production must be market-based*

6.2.1. Forestry and forest-based activities are part of the open sector of the economy, and this has helped

to ensure efficient timber production. Indeed, timber production is at its most efficient when it is based on the free interplay of market forces. Price should be determined by supply and demand. The creation of an efficient single market, which is the fundamental goal of European economic integration, also requires that there is no distortion of competition in the timber market.

6.2.2. The EU's forest strategy should seek to create conditions conducive to business initiatives in the forestry sector. This applies to both forestry and the forest industry. A favourable operating environment ensures that there is adequate demand for timber and this, in turn, ensures an adequate price. Adequate demand best ensures that forestry resources are exploited in the most efficient way and guarantees that the profitability of forestry is soundly based, but at the same time, the social demands on forests must be borne in mind.

6.2.3. It is important in securing a favourable operating environment for forestry to make sure that forestry activities are not artificially restricted by laws or other means. Thus, for example, regulations governing the recycling of waste paper and the use of recyclable fibre should be consistent with economic and ecological sustainability. However, the EU should promote the use of, and demand for, forest products that are based on renewable natural resources.

6.3. *Exploitation of forests as a renewable natural resource is ecologically sustainable*

6.3.1. One of the aims of the EU's forest strategy should be to promote the efficient exploitation of Europe's renewable natural resource, i.e. its forests. New jobs can be created and economic wealth increased by fostering conditions favouring the forestry sector. In terms of their ecological properties, wood-based products and other forest products such as cork and resin are superior to commodities manufactured from non-renewable natural resources. The increased use of wood offers new commercial opportunities for the forestry sector. The EU should therefore take steps to create conditions conducive to the substitution of wood-based products for products based on non-renewable natural resources, e.g. in the manufacture of packaging materials, the building industry and energy production. The increased use of small-sized timber, by-products of sawmills (chips, sawdust) and waste paper in energy production would allow the substitution of a renewable natural resource for fossil fuels. Unlike fossil fuels, the burning of wood-based fuels does not lead to a net increase in carbon dioxide in the atmosphere.

6.3.2. Europe's forests are growing at a substantially faster pace than they are being felled, and thus an increasingly larger proportion of the allowable cut is being left unexploited. The EU still imports considerable quantities of forest industry products of the kind that could be produced within the EU. Moreover, given their level of resources, the Member States could afford to increase their forest exports to countries outside the EU. By exploiting the resources of the forestry sector more effectively, the EU could increase the value-added of production in the forestry sector from the present level of ECU 140 billion and the number of jobs in the forest industry from the present level of 4 million.

6.3.3. As there are some 12 million private forest owners in the EU, the additional wealth deriving from more effective exploitation of all forest resources would be widely dispersed. The exploitation of forest resources is particularly important from the point of view of preserving the vitality of the countryside.

6.4. *Respect for the subsidiarity principle*

6.4.1. Great differences exist between countries as regards the extent and type of forest, the pattern of forest use, the social history of the use of forests and the role of the forestry sector in the economy. Respect for diversity and a multiplicity of values, together with coordination of national forestry policies, will ensure more effective application of the subsidiarity principle.

6.4.2. The subsidiarity principle should be applied in forest-related issues wherever possible. National policies are more effective than centralized policies because they take account of local circumstances and needs. Decision-making should be transferred to the EU only when EU-level measures generate added value.

6.4.3. Forests in EU countries are so different in terms of their biological and ecological characteristics that, for example, it is not possible to draw up detailed common guidelines on forest practice. However, the EU could adopt general principles governing forest management, such as the principle of sustainable forestry. In fact, as far as timber production is concerned, sustainable forestry has for long been the most widely applied management principle, without this having been agreed upon in the EU. Nevertheless, the EU should embrace common principles of this kind so that it can better promote those principles which it judges to be appropriate in international forestry policy. The use and management of EU forests must be economically, ecologically and socially sustainable.

6.4.4. In some cases, forestry policy measures and public aid for forestry are more effective when they are implemented at national level. Scarce resources are

allocated more efficiently at national level because the special needs of the Member State concerned are known and action can be tailored accordingly. Of course, each Member State should be responsible for funding aid granted within the framework of its own forestry policy whilst the EU provides common funding under the programmes in which it has decided to participate.

6.4.5. In order to develop and enhance the EU's forestry strategy, a comprehensive study should be made of the effectiveness of current measures affecting the forestry sector, particularly aid granted by the EU. The study should also examine the effects on forest management and use of EU measures in other sectors. Similarly, it is important to find out how current aid policy could be made more effective.

6.4.6. Another question which needs to be addressed is whether it would be more effective in the long run to use EU resources for promoting the marketing of timber, including its use as an energy source, rather than provide direct assistance for afforestation. In particular, EU funds should be allocated to research, training, information and advice and support for rural areas so as to enable the forestry sector to operate and compete more effectively in the longer term. EU assistance for afforestation should focus on improving the quality of forests through such measures as erosion prevention, conservation of groundwater, protection from fire damage or the reforestation of areas devastated by fire. Funding provided under the Union's structural and regional policy programmes should be used more widely to support the application of economical and environmentally-friendly practices in forestry and the forest industry.

6.5. *Need to develop the EU's forestry strategy*

6.5.1. Current EU instruments affecting the forestry sector

6.5.1.1. There is already a large body of EU laws, regulations and measures that affect the forestry sector directly or indirectly. The responsibility for the drawing up and application of key EU laws and regulations affecting forestry is divided between various directorates-general of the European Commission. This makes it difficult to take account of forestry policy objectives in a coherent manner. The Committee would like to see better coordination by the relevant DGs in the preparation of forest related issues.

6.5.2. The interests of the forestry sector should be taken into account in EU decision-making

6.5.2.1. Decisions taken in other sectors can cause problems for forestry because they fail to take account

of the potential effects on the forestry sector. Not enough attention is paid to safeguarding the interests of the forestry sector in the EU's internal decision-making because the EU does not have the kind of forest policy or resources that would enable it to do so.

6.5.2.2. One reason for the lack of a fully developed forest strategy at EU level is that the forestry sector was of notably less significance in the EU before the accession of the three new Member States — Sweden, Finland and Austria. Now the situation has changed fundamentally and the interests of the forestry sector should therefore be given appropriate weight in EU decision-making.

6.5.2.3. The EU's forestry strategy should seek to ensure that matters concerning the forestry sector are given adequate attention in other EU policy areas, including regional, social, agricultural, commercial, competition and environmental policy. EU sectoral policies which have a major bearing on the forestry sector should be coordinated in a more comprehensive way within the relevant DGs. If the interests of the forestry sector are to be handled effectively in the EU, the forestry units of DG III and DG VI and the Standing Forestry Committee of DG VI must have adequate powers and play an active role. The activities of the Standing Forestry Committee should be expanded and its status enhanced. In addition, an advisory committee should be set up consisting primarily of representatives from the forestry sector who are responsible for the sustainable management and use of forests, but also representatives of other parties who are actively involved in this area.

6.5.2.4. No provision is made for forestry in the Treaties of Rome and so timber is not a product subject to the common agricultural policy. Timber production has therefore traditionally been a part of the open sector of the economy and closely linked to the forestry industry and the demand for forest industry products. Naturally, forestry and the forest industry have a major role to play in preserving the vitality of the countryside. In many countries, forestry makes a significant contribution to farm incomes.

6.5.3. EU policy and the generation of added value

6.5.3.1. Common action is required in the EU's forestry sector in areas where such action can generate added value. In particular, this includes ensuring that adequate attention is paid to the general prerequisites for the operation of the forestry sector in, for example, regional, social, agricultural, trade, competition and environmental policies, and in the international forestry policy arising from these. In order to create conditions favouring the operation of the forestry sector, the EU should make fundamental improvements in research,

training and information, develop the preconditions for the use of bioenergy, including waste paper, and promote a rational paper-recycling policy and the consumption of environmentally-friendly forest products based on renewable resources.

6.5.3.2. International forestry policy is a key component of the EU's forestry strategy because of the potential synergy gains to be achieved by the EU participating in international forestry policy as a single party as opposed to each Member State participating individually. The Member States should first agree among themselves on the objectives to be pursued at international level and then seek to advance these objectives in international forums. For example, the EU could promote the Rio Conventions, the Resolutions of the Helsinki Ministerial Conference and the conclusion of an international agreement on forests. Decisions taken at EU level on issues related to international forestry policy could serve as common guidelines for national forestry policies.

6.5.3.3. The EU should assist developing countries in forest research and in combating the destruction of forests.

6.5.3.4. The EU should focus special attention on combating transboundary air pollution. The forestry sector should take account of environmental considerations related to forests in its decision-making. Cooperation concerning forests and the environment is needed both nationally and within the EU, for example in issues related to protection of forest biodiversity, climate control, reduction of air pollution, combating forest damage and preventing forest fires and the acidification of forest ecosystems. Concepts relating to protection should be standardized by the EU but actual forest protection objectives should be set at national level.

6.5.3.5. The EU could also help to promote the introduction of a voluntary, internationally approved scheme for forest certification. The scheme could, for example, be developed within the framework of an international forestry agreement or under EU auspices. Certification must also take account of countries' differing ecological, biological and socio-economic characteristics. The EU should nevertheless seek to promote the introduction of credible, internationally approved eco-labelling for forests. Eco-labelling should be voluntary and should not distort competition. As far as certification is concerned, the work of the Commission needs to be better coordinated because at the moment several directorates-general are working in this area. As most of Europe's forests are privately owned, the structure of private ownership should be taken into account in certification. However, certification is just one of the forestry policy instruments that can be used to promote sustainable forestry.

7. Summary of conclusions

7.1. *Basic objective of the EU's forestry strategy*

In view of the importance of the forestry sector as a source of employment and economic wealth in the EU, the basic objective of the EU's forestry strategy should be to promote the commercial exploitation of forests. This will help to safeguard jobs particularly in structurally weak regions and also create new jobs, despite the fact that technological progress will inevitably mean that jobs will be lost as well. According to the notion of multiple-use forestry, forests serve various functions which can be integrated into a smoothly functioning whole. This means that the commercial exploitation of forests is not incompatible with the use of forests for other purposes. Forest management and use must be economically, socially and ecologically sustainable.

7.2. *Respect for the subsidiarity principle: priority to national forestry policies*

As forests vary greatly from country to country in terms of their ecological characteristics and socio-economic significance, it is clear that the Member States have different forestry policy objectives. Priority should be given to the subsidiarity principle in forestry issues so as to ensure the continued effectiveness of national forestry policies.

7.3. *The forestry sector is an important source of employment*

Some four million people are employed directly by the forestry industry in the EU, in addition to which considerable numbers are employed in silviculture, the production of timber and other forest products such as cork and resin and ancillary activities such as leisure-time activities and tourism. In addition, the indirect employment effects of the forestry sector are very significant. The further development of the forestry sector is of fundamental importance for the preservation of jobs in rural districts and should be continued in a consistent manner.

7.4. *Promoting the commercial use of forests*

The guiding principle of the EU's forestry strategy should be to create operating conditions conducive to the use of economical and environmentally-friendly practices in forestry and to improve rural structures and the economic situation of the forest industry. In addition, adequate provision must be made for the social security of people who gain their livelihood from forests and ancillary activities. The commercial exploitation of forests should be based on the market economy and laws and regulations which incorporate the principles applied in EU competition policy.

7.5. *Ensuring a favourable operating environment for the forestry sector*

The EU's prime concern should be to see to it that favourable operating conditions exist for forestry, to apply coordinated forestry strategies where necessary and to leave detailed management to Member States in the spirit of the subsidiarity principle. EU laws and regulations should be used to promote the sustainable exploitation of forests, not to restrict it unreasonably. EU funding should be used for the protection of forests, support for rural regions, research and training, and the provision of information and advice.

7.6. *Promoting the use of renewable natural resources*

Forest products are renewable natural resources and the EU should support and promote their use as environmentally-friendly products and as a source of energy.

7.7. *Consideration of the interests of the forestry sector in EU decision-making*

Numerous decisions are taken in the EU which affect the forestry sector either directly or indirectly. In order to safeguard the interests of the forestry sector, it is necessary to ensure that these effects are taken into account in EU decision-making. The coordination of forest-related affairs within the EU should be improved.

7.8. *Common action by the EU as a source of added value*

The transfer of decision-making to the EU would enable added value to be achieved in certain forest-related areas, notably combating air pollution, international forestry and trade policy, protection of forests from damage of various kinds and support for rural regions, as well as research, training and provision of information and advice.

Brussels, 24 April 1997.

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