TRADE UNION NEWS

from the European Community

No 2 Winter 1969/70

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THE TRADE-UNION MOVEMENT AND INDUSTRIAL RELATIONS IN FEDERAL GERMANY

The Deutsche Gewerkschaftsbund (DGB), the West German trade-union federation, with 6,400,000 members organized in sixteen industrial unions, is by far the largest national federation in the European Community, and after the American AFL-CIO and the British TUC is the third most important in the non-Communist world.

This article is the first of a series which will deal with the background, structure and aims of the trade unions, and the nature of industrial relations, in the six European Community countries.

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The Allgemeiner Deutscher Arbeiterverein (German General Workers' Association) was founded in Leipzig in 1863 by Ferdinand Lassalle. Although various social insurance and mutual help associations had existed earlier in the century, the ADAV was the first militant body to represent the workers' point of view. Its aims were essentially political rather than industrial, concentrating mainly on campaigning for direct universal suffrage. Indeed, whereas in Britain the foundation of the trade-union movement preceeded that of socialist parties, the reverse is so in Germany and most other countries of continental Europe.

Lassalle's party, and also the rival Sozialdemokratische Arbeiterpartei*(1)*, set up their own trade unions. And in 1868 the so-called Hirsch-Duncker trade associations were created, on the initiative of the German Progressive Party (Liberal) as a counterweight to the Lassellean unions. Rather than condemning capitalism, these sought to improve the conditions of the working class within the capitalist economic and social order.

The two socialist parties merged in 1875 to form the Sozialistische Arbeiterpartei Deutschlands (German Socialist Workers' Party). But the party, and the unions associated with it, had to work under immense difficulties, often involving not only discrimination by employers but police oppression and persecution too. Then in 1878 the enactment of the Anti-Socialist Law led to the virtual disbanding of the party, and the imprisonment or exile of many of its leaders. Only the socialist parliamentary group remained effective, and the socialist unions were permitted only an illegal existence, disguised often as sickness-benefit and other clubs.

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(1) the Social Democratic Workers' Party, founded in 1869 in Eisenach by Wilhelm Liebknecht and August Bebel. Their differences with Lassalle's group were mainly over German unification. On the issue of worker emancipation, their attitudes were very close.

In 1890 the Imperial Parliament repealed the Anti-Socialist Law, and in November the General Committee of German Trade Unions was set up, linking together all the socialist, or 'free' unions.

Christian workers' associations also began to appear from the late 1860s onwards, first Catholic, and later Protestant ones too. These were brought together in 1899 in the Confederation of Christian Trade Unions.

So at the turn of the century Germany possessed three separation trade union tendencies which continued until after the First World War and into the Weimer Republic: free trade unions, Christian trade unions and liberal professional associations.

The free trade unions were by far the strongest of the three, and continued to expand rapidly from 680,000 in 1900 to over seven million members in the immediate aftermath of the First World War, though the figure had fallen to some four million by 1933.

Membership of the Christian unions had risen to 1.1 million by 1920 but had fallen to half that level by the 1930s.

In 1933 the unions were prohibited and disbanded by the National Socialists. Their assets were seized, their leaders imprisoned and their members forced to join the Nazi Deutsche Arbeitsfront (German Labour Front).

Free trade union membership compared

	Germany	UK
1900	680,000	1,250,000
1918	2,800,000	4,530,000
1919	7,300,000	5,280,000
1931	4,100,000	3,710,000
1949	4,900,000	7,930,000
1968	6,400,000	8,720,000

The post-war revival

In 1945, often within a few hours of the arrival of Allied troops, union meetings were called at local level all over Germany. There was overwhelming agreement that the pre-war sectarian divisions which had weakened the movement should be replaced by a unified federation organized on industrial lines. When the three Western occupying powers lifted their ban on interzonal organization - and by this time it had become clear that links with the Free German Trade Union Federation in the Soviet Zone were impossible - contacts between union leaders in the French, US and British zones developed rapidly and were formalized by the creation, in Munich in 1949, of the Deutsche Gewerkschaftsbund (DGB; German Trade Union Federation) under the presidency of Hans Böckler. With 6.4 million members the DGB represents over 80% of organized workers in West Germany. The remainder are organized in the Deutsche Angestelltengewerkschaft (DAG; the employees white-collar union; 482,000 members), the Deutsche Beamtenbund (DBB; Federation of German Civil Servants; 710,000), the Gewerkschaft der Polizei (police union, 108,000) and the Christlicher Gewerkschaftsbund Deutschland (CGB; German Federation of Christian Trade Unions; around 180,000). The CGB came into being in 1955, but its influence remains limited and the majority of catholic workers still support the DGB.

In all, there are some 8 million organized workers in West Germany, or about 30% of the total working population of 26 million. The level or organization in Germany is thus very high by international standards. The equivalent figure for Britain would be 10 million, (40% of 25 million).

The DGB has no formal links with any political party. Its leading officers include both SPD and CDU members, though the former predominate and its SPD links are inevitably closer. In the 1965-69 parliament, 242 out of 518 M.P.s were trade unionists; out of this figure, 197 belonged to DGB unions, and 188 sat for the SPD.

The structure of the DGB

It is no accident that the German for 'trade union' is usually Industriegewerkschaft: industrial union. The DGB's 16 affiliates are all industrial unions covering all workers in a given industry, irrespective of skill or trade, and many white-collar staff too. Indeed, the DGB has more white-collar members than the DAG*(2)*. Its financial resources are many times larger than those of any other European federation and it consequently has at its disposal a large expert staff*(3)*.

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(2) The DGB included in 1967 878,000 white-collar workers, or 13.7% of its total membership, as against 487,000 in the DAG. It also included 606,000 civil servants, compared with the DBB's 710,000.

(3) Union dues are in most cases based on a percentage of earnings, and are usually higher than in the UK. In 1967 the average dues paid to the different unions varied from about 9s. to 19s. per month. 12% of each affiliated union's dues income goes to the DGB, giving it (in 1968) an affiliation fee income of DM 52.6 million (£4, 696,000 at the 1968 exchange rate) out of a total income of DM 59.3 m. (£5,295,000). The equivalent figures for the TUC are £569,000 and £611,000.

The membership figures for the DGB's 16 affiliates are as follows (31.12.1967):

IG Metal (Metalworkers)	1,958,000
Gewerkschaft Oeffentliche Dienste, Transport und Verkehr (Public services, transport and communications)*(4)*	972,000
IG Chemie, Papier, Keramic (Chemicals, paper, pottery)	526,000
IG Bau, Steine, Erden (Building, stone, soil)	509,000
IG Bergbau und Energie (Mining and power)	426,000
Gewerkschaft der Eisenbahner Deutschlands (Railways)	411,000
Deutsche Postgewerkschaft (Postal services)	347,000
Gewerkschaft Textil, Bekleidung (textiles, clothing)	312,000
Gewerkschaft Nahrung, Genuss, Gaststätten (Food, drink, tobacco, hotels)	274,000
IG Druck und Papier (Printing and paper)	144,000
Gewerkschaft Handel, Banken und Versicherungen (Commerce, banks, insurance)	137,000
Gewerkschaft Holz und Kunststoff (Wood and plastics)	130,000
Gewerkschaft Erziehung und Wissenschaft (Education and science)	103,000
Gewerkschaft Leder (Leather)	68,000
Gewerkschaft Gartenbau, Land-und Forstwirtschaft (Horticulture, agriculture, forestry)	56,000
Gewerkschaft Kunst (Arts and entertainment)	34,000
DGB Total	6,408,000

The DGB has no executive powers over its affiliated unions, but cooperation is normally extremely close and effective. There is a trienniel conference which elects the president*(5)* and the Executive Committee (Geschäftsführende Bundesvorstand) of eight full-time members, each of whom is responsible for the running of one of the departments of the DGB. Overall policy is the

(4) This union includes many members of the armed services, who are permitted under German law to join a union.

(5) In May 1969, Heinz O. Vetter, formerly Vice-President of IG Bergbau und Energie, was elected President on the retirement of Ludwig Rosenberg, who had held the office since 1962.

affair of the Executive Board (Bundesvorstand), comprising the Executive Committee plus the Presidents of the 16 affiliated unions. Between the congress and the Executive Board, there is also the Bundesauschuss, an advisory committee of about 70 members representing the unions in proportion to their strength and also the eight regions into which the DGB is divided. These regions are subdivided into district and local sections and offices, and committees at all these levels include representatives of all affiliated unions with members in the area. It is normal in fact at the lower levels for the DGB and the individual unions to operate from the same offices.

The aims of the DGB

As would be expected in a country where the trade unions sprang out of the workers' political movement, rather than the other way round as in Britain, in the early years the German unions placed more weight on political action and political priorities than did their British counterparts. The basic programme adopted by the DGB in 1949 showed that attitudes were changing. Although it aimed at the creation of an alternative economic system which would be neither capitalist nor Communist, it was much more industry-orientated than earlier programmes. It demanded economic, social and industrial democracy based upon the nationalization of key economic sectors, socialist planning, a real say for the workers both in company affairs and in national policies, and a more equal distribution of income and wealth.

In 1963 a new basic programme was adopted which was even more flexible and seen as more in line with the economic and social realities of the 1960s. This was based on five main points: full employment and continued economic expansion; a just distribution of incomes and wealth; monetary stability; the prevention of the abuse of economic power; and international cooperation. The principle instruments for achieving these aims were to be: national planning; a union voice in the elaboration of fiscal and budget policy; some control of investment; the extension of public ownership and cooperatives; the control of economic power; and economic codetermination. In addition the DGB has an Action Programme of five priority points: a maximum 40-hour week for all workers; increased wages; more equal distribution of incomes; longer holiday, and holiday bonuses; and security of employment.

The D A G

The various white-collar unions of the pre-war period were, like the new DGB leaders, determined that the earlier ideological and other divisions should not be perpetuated and after 1945 a single union was formed, the Deutsche Angestellten-Gewerkschaft, in the then British zone of Germany, which was a member of the DGB in that zone. But the DGB decided in 1948 that the principal of industrial unions should apply to white-collar workers too and the link between the two was thus severed. The DAG merged in 1949 with the South German employees federation and since then has been the only important general white-collar organization, and its membership has continued to increase modestly. It includes some civil-servants, though the bulk of these are members of either the DBB or the DGB.

The DAG is divided into professional groups, and geographically into 11 provincial federations and some 700 local branches covering the whole of Federal Germany. It is affiliated to the International Federation of Private Sector Employees, which is based in Geneva and itself an ICFTU affiliate.

Industrial relations and the law

In Germany, as in most countries of continental Europe, industrial relations have been the subject of legislation to a far greater extent than in Britain. Thus there is, for example, a legal minimum of annual holiday, and a legal maximum of hours worked per week. Collective agreements are normally for a defined period of time, during which they are legally binding. Disputes regarding both the interpretation of agreements and points of labour law have usually to go to a Labour Court whose decision is binding. These courts exist at the local, provincial (Land) and federal levels, and appeals are possible from the lower to the higher courts. The lower level courts comprise a judge and two lay assessors drawn from panels nominated respectively by the unions and the employers in the locality. The federal court consists of three qualified judges.

The right to join a union is guaranteed under the Basic Law (i.e. the federal constitution), but this of course implies also the right not to join a union, and consequently the closed shop is illegal.

Collective bargaining is normally done at the regional level, and between the union and the employers' association rather than the individual firm. The usual procedure is to negotiate a basic Manteltarif, or outline agreement, regulating the overall conditions and lasting for a number of years. Within this framework a Lohntarif or wage agreement is concluded. This is often renewable annually, and sometimes covers holidays as well. Where collective agreements cover more than half the work-force in a given industry, the federal government can, on application by one of the parties to the agreement, make them compulsory on all firms in the sector involved.

The unions complain that they have few legal rights at the shop-floor level. There, relations with management are mainly the responsibility of the Works Council, whose members are not necessarily union members. The shop-steward system so widespread in Britain is not general in Germany, though in some industries the Vertrauensmann has a somewhat similar function and acts as the union's representative on the shop-floor.

Co-determination

Probably the most striking and interesting aspects of West German industrial relations are however the legal requirements which oblige companies to operate a system of co-determination. The unions have long fought for this principle, and since 1951 and 1952 it has had a legal basis.

For the German unions, supported by the SPD, co-determination, or industrial democracy, has always been the essential complement of political democracy and one of the central elements in the re-organization of society according to a social-democratic system which falls between the two extremes of Communism and capitalism. Ideally, it would involve powers of co-decision for the workers at workshop, factory and company levels, and at that of national economic policy making. Since 1951/52 a degree of co-determination at factory and company levels has been a legal obligation on managements.

In the late forties the problems of controlling the redevelopment of the German coal and steel industry - the basis of an armaments industry in non-nuclear days - were of major concern to the allied governments, to Adenauer and the other new West German leaders, and to the unions. And the latter, as one of the few groups completely untainted by Nazism, were in a very strong position to insist on the need for controls. Consequently they were able to persuade Adenauer to sponsor, against the wishes of many of his CDU colleagues, the Mitbestimmung Law, which became effective in 1951 and established the principle of "qualified co-determination" in coal and steel.

The following year, the Works Constitution Law was enacted, providing for what is known as "simple co-determination" in other industries. Although it came later than the Mitbestimmung Law, the Works Constitution Law is the more important since it covers firms throughout the German economy. The Mitbestimmung Law affects only the relatively small number of workers in the coal and steel sectors. Nevertheless, the unions attach particular importance to it, since it provides for far more effective powers of co-decision.

The Works Constitution Law of 1952

Works Councils first appeared in Germany as a result of a law of 1920. This legislation was extended by the 1952 law, under which all companies employing more than 5 persons, including those in coal and steel, are obliged to have a Works Council (Betriebsrat), elected by secret ballot by all workers of 18 years of age or over. Works Council members do not have to be union members, though where the union is strong, the majority of them usually are so in practice. Indeed, most Works Council members would find it very difficult to do an effective job without the backing of the information and research facilities which the unions can provide.

The rights of the Works Council vary according to the nature of the decision to be taken. On "social" matters it has effective powers of co-determination on a basis of parity with the management - in other words it has a right of veto - in such fields as times of starting and stopping work and of breaks, daily hours (but not weekly hours which are settled by collective bargaining), time, place and method of payment of wages, the annual holiday roster, administration of internal welfare arrangements, the regulation of piece work and production bonus rates, and questions affecting works rules and the conduct of individual workers.

With regard to staffing, the Works Council must be consulted in advance on all engagements, transfers, regroupings and dismissals(6), but has no veto. But if the management persists in action against the Council's advice, the latter can appeal to the Labour Court, whose ruling is binding. The Works Council must also be consulted on planned structural changes - closure or reduction in size of the company or individual factories, mergers, etc.

The Works Constitution Law also provides for the establishment, in all factories with over 100 workers, of a Joint Works Committee, or Economic Committee (Wirtschaftsausschuss), representing Works Council and management in equal numbers. Management must make available to it full information on the financial, commercial and production situation and plans of the company. But in practice there are still many firms where no Joint Works Committee exists. In addition, Works Meetings of the whole work-force must be held at least every three months, at which the Works Council gives a report on its activities, and at which the management has the right to speak.

Over and above these requirements at the factory level, the Works Constitution Law gives the workers in companies

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(6) There are, however, some cases where management can dismiss a worker without consulting the Works Council, and the unions have consistently campaigned against this.

employing over 500 persons certain rights at the company level. Most big companies in Germany*(7)* have a three tier structure at the top: the Annual General Meeting of shareholders, the Supervisory Board (Aufsichsrat) and the Board of Management (Vorstand). The Board of Management, usually of only three persons, can be compared with the executive directors on the board of a British company. The Supervisory Board comprises 11, 15 or 21 members depending on the size of the firm, and under the Works Constitution Law one third are workers' representatives, and two thirds shareholders' representatives. Its task, as its name suggests, is to supervise the way the Board of Management conducts the company's business. The worker representatives are elected by secret ballot of the whole work-force in all the companies' factories and branches (not by the Works Council). A minimum of two of them must be employees of the company, one a manual and one a non-manual worker. Beyond that the work-force frequently elects union officials. In effect the worker representatives, with only one third of the votes on the Supervisory Board, and none on the Board of Management, have little possibility of decisively influencing company policy, though they do guarantee to the workers the right of information on all aspects of company affairs.

Roughly similar rights are given to civil servants and employees and workers in publicly-owned undertakings by the federal Personnel Representation Law of 1955, and by similar Länder laws which followed it.

Mitbestimmung in coal and steel

The unions have always protested that the Works Constitution Law gives insufficient rights to the workers both at the factory level - where real powers of co-decision exist only in what are known as social matters - and at the company level. The situation is different in coal and steel, where the Co-determination (Mitbestimmung) Law of 1952 gives the workers substantial effective rights at the company level (though the Works Constitution Law applies at the lower levels).

In all major mining and steel companies with over 1,000 employees the workers' and shareholders' representatives have an equal number of seats, and equal rights, on the Supervisory Board, thus guaranteeing the workers an effective say in major company decisions.

The Co-determination Law also provides for one workers' representative on the Board of Management. The worker-director is in practice usually appointed Labour Director,

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(7) This legal structure applies to Joint Stock Companies (AG), limited liability companies (GmbH), Partnerships in commendam (KGaA) and mining companies.

in charge of industrial relations and staffing, but he has equality of rights and obligations with his fellow directors on all aspects of company affairs.

Union demands

The DGB and its affiliated unions have campaigned since 1952 for the extension of this system to large firms throughout the economy. They suggest it should cover all industrial companies meeting two of three criteria: 2,000 employees, a balance-sheet total of 75 million DM (£8.5 million), and an annual turnover of 150 million DM (£17 m.). Slightly different yardsticks are necessary for banks, insurance companies, etc. They also demand that the principle of qualified co-determination should be incorporated in the new "European company statute" which has been under discussion in the European Community for some time now.

The SPD have always supported these union claims, and when, in 1965, they entered the "Grand Coalition" government with the Christian Democrats (who oppose the extension of co-determination), one of their conditions was that a special commission be set up to look into this whole question. The Commission came into being in 1967, and presented its report to the present SPD/FDP government in January 1970. The report comes out against the general extension of full qualified co-determination and recommends instead that workers' and shareholders' seats on the Supervisory Board should be in the ratio of 5 to 7, though the two sides would have equal votes in electing the Board of Management. Here it evidently falls short of the unions' demands. But it goes beyond them in recommending that this new form of co-determination should cover all companies with more than 1,000 employees. Whether the recommendations will become law will depend largely on the attitude taken by the FDP, which has always been opposed to co-determination.

The unions also demand changes at the factory level. They urge the extension of the Works Council's real powers of co-decision to a wider range of subjects, going beyond "social" matters and including notably personnel matters and such things as structural changes resulting from technical progress; they stress the need for special guarantees against dismissal for Works Council members and candidates; and they demand clear rights for the unions as such in relation to the Works Council.

The DGB is also pressing for a greater voice for the unions in the determination of overall economic and social policies at both the German federal level, and - together with the unions of the other Common Market countries - at the European Community level.

Future trends in industrial relations

West Germany is frequently held up as an example of orderly and peaceful industrial relations. The strike record is good: the average number of days lost per 1,000 workers per year, from 1959-1968, was only twenty. Does this mean the unions are meek, or their members very well disciplined? the employers unusually generous? or is the legal framework within which German industrial relations operate the essential element?

It is usually accepted in Germany that it goes back to the general climate in which the rebuilding of German industry was begun after the war. In the late forties the unions found themselves in a strong position vis-à-vis both government and employers, since, as mentioned above, they formed one of the few movements untainted by contacts with Nazism and thus were looked on with great favour by both the occupying governments and many people within Germany. This, plus the feeling that unions and employers needed, in both their own and the country's interests, to cooperate closely in order to overcome the vast economic problems with which Germany was faced, meant that extremism and obduracy were rare. Given this climate, and the historical tradition of the country, it was possible to impose a legally-based system which seems to have worked well. Another factor to be considered is that the need to rebuild from scratch after the war also permitted the creation of industry-based unions. Though the front of union-employer solidarity had its holes and in any case became inevitably weaker as the difficult post-war years receded, the continuous economic boom which followed enabled wages and living standards to continue rising*(8)* and consequently industrial unrest to be minimal. But since 1967 there has been a relative down-turn in the rate of economic expansion. Signs of unrest culminated in September 1969 in a series of unofficial strikes in the metal industry - an unknown phenomenon until then. These were swiftly settled by the granting of major wage increases, and followed by signs of greater union militancy for the future. As a consequence some observers have suggested that industrial relations in Germany in the 1970s may be less peaceful than in the 1960s.

The unions and Europe

Like all the free and Christian trade union federations in the Six, the German unions have welcomed European integration from the beginning, despite the fact that the SPD was very much opposed to it in the early 1950s.

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(8) GNP increased by 52% over the period 1958-67 (UK 33%), average earnings by 101% (UK 61%), and retail prices by 23% (UK 29%).

The DGB supported the creation of the European Coal and Steel Community (ECSC) in 1952, and fully participated in the trade union groupings set up at the level of the Six(9). It welcomed also the establishment in 1958 of the EEC and Euratom, though expressed its strong disappointment at their considerably weaker institutions compared with those of ECSC. It has consistently supported a genuine supranational Community with effective institutions, and outlined its views particularly forcefully at its 1966 Congress in Berlin. It called for:

- the strengthening of the role of the European Parliament, including direct election of its members;
- extension of the Commission's powers;
- the granting of the right of initiative to the Economic and Social Committee;
- greater direct collaboration between the Community institutions and the unions, on the ECSC pattern.

The DGB, along with the other free and Christian unions, has also been a strong supporter of the enlargement of the Community to include Britain and other democratic European countries.

For further reading:

Helga Grebing. The History of the German Labour Movement. London: Oswald Wolff. 1969. 224 pages.

Co-determination rights of the workers in Germany.

Deutsche Gewerkschaftsbund, Stromstrasse 8, Düsseldorf. 1967. 80 pages.

(9) see "Trade Unions in the European Community - a brief historical survey", Trade Union News from the European Community No. 1, 1969.

AGREEMENT TO OPEN TALKS WITH UK

Results of the EEC Summit meeting

"Europe is in business again" was how one French paper described the result of the Summit conference of the heads of state and government of the Six held in the Hague on December 1 and 2. It gave the go-ahead for completing an economic and monetary union and for negotiations to enlarge the Community to include the four applicants - one of which is of course Britain.

The new atmosphere brought its first major success on December 22, when the Council of Ministers agreed on the main lines of a plan to provide the Community institutions with autonomous sources of revenue to carry out European policies, and to give the European Parliament substantial powers of budgetary control(1).

The Council and the Commission are now busy preparing the Community's negotiating position for the negotiations with Britain.

MAIN POINTS OF AGREEMENT AT THE HAGUE

- to prepare by June 30, 1970 a common negotiating position which could permit negotiations to begin as soon as possible with those countries which have applied for membership: the United Kingdom, Denmark, Ireland and Norway;
- to carry out the task of completing the Community;
- to draw up financial arrangements for the common farm policy after the end of 1969. These could be adapted to changed conditions, such as enlargement, if the member states were unanimous;
- to continue joint efforts to cut down the present farm-produce surpluses;
- to develop an economic union, including a European reserve fund;
- to push ahead with technological cooperation;
- to make new efforts to draw up a research programme for Euratom;
- to consider the reform of the European Social Fund, within the framework of concerted social policies;
- to reaffirm their interest in setting up a European university;
- to ask the Community's foreign ministers to propose, before July 1970, ways of strengthening the political unification of the Community.

(1) see page 19.

Union reactions to the Summit

The free and Christian trade unions of the Community(2) were understandably pleased with the Hague meeting results. Within a few days of the Summit, their respective Executive Committees met and expressed their general satisfaction. Indeed, most of the priority points they had urged on the statesmen of the Six beforehand, in a joint declaration, were adopted in the Hague communiqué. The trade union leaders saw the results as a welcome first step towards strengthening and enlarging the Community. At the same time they expressed disappointment that no precise date was fixed for opening negotiations with Britain and the other applicant countries, and that there was no sign of agreement on democratizing the Community by moving towards direct elections to the European Parliament. No conclusion could be reached until it was clear whether the words from the Hague would be translated into practical action.

In their joint declaration before the Summit, the unions had called on the Six to agree on a timetable of priority action covering:

- the opening of negotiations with the applicant countries;
- the co-ordination of economic, financial and monetary policies;
- re-casting the agricultural policy with a view to reducing surpluses and implementing structural reforms;
- the working out of a real policy on technological research, on the basis of a future industrial policy;
- the reform of the European Social Fund, as a concrete step towards a Community social policy;
- the granting to the Community of independent resources, subject to democratic control.

The declaration also called for agreement on how to strengthen Europe politically, stressing especially its role in world affairs and responsibilities towards the developing countries; and the need to democratize the Community's decision-making process, in particular by "the strengthening of the role of the European Parliament, the confirmation of the principle of majority voting, and the association of the representatives of 15 million organized workers with the building of the future Europe".

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(2) *i.e., the European Confederation of Free Trade Unions in the Community (ECFTUC) and the European Organization of the World Federation of Labour (EO-WFL)*

RIGHTS OF MIGRANT WORKERS

Social security

Any Common Market worker has been able since July 1968 to take a job in any member country. No work permit is necessary - only a residence permit to which he has an automatic right. (This does not of course apply to immigrants from non-EEC countries).

Since 1959 workers moving to another country under the Community's free-movement provisions have been entitled to the social security benefits of the country where they work. But many complications have arisen. For example, on how to calculate the pension - related in most Community countries to both contributions (in turn related to wage levels) and to length of service - of an Italian worker who has spent ten years working in Germany, and contributing to the German pension scheme at German rates, and who now returns home to retire.

Meeting in the Council of Ministers in November, the Ministers of Social Affairs of the six countries agreed on the outline of a new system which would overcome these difficulties.

For unemployment pay, it was decided that a person put out of work in another Community country - who would in any case be entitled to the benefits available to nationals of that country - could, if unable to find work there after four weeks, move to another country, possibly his own, to seek work, and continue to draw the same benefits from the country of his last employment for a total of three months. The same would apply to a person wishing to leave his own country to seek work.

For old-age and other pensions, the new decision authorizes the receipt of more than one partial pension by a person who has worked and been insured (or whose husband has) in more than one country, though the total must not exceed the highest full pension he could have received.

Family allowances for workers' families left behind in their own country will in future be paid for by the authorities of the country in which the husband is employed, and at the rates of that country. At present family allowances are paid at the rate prevailing in the country where they are drawn. France is excepted from this arrangement until 1973.

The aim of these, and of various other decisions on such things as repayment of medical expenses and on sick pay, is to establish the principle that social security costs are borne by the country which has received the relevant social security contributions. The benefits will of course be actually paid out in the country of residence, but the new system will permit easy and automatic reimbursement by the country receiving the contributions to that in which the benefit is drawn.

The Ministers also decided to set up an Advisory Committee on Social Security for migrant workers, comprising representatives of governments, unions and employers. There is already a similar advisory committee on free movement.

Workers rights to remain abroad on retirement

The European Commission has just published draft proposals which would give a Community worker who has lived in another member country for at least 3 years of which at least one year was spent in full-time employment, the right to remain there, with his family, when he retires. A worker forced to retire early because of illness or accident would have the same rights after two years residence, except in the case of industrial injury or illness, where there would be no minimum residence condition.

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Note: It is estimated that there are at present some five million foreign workers in the European Community (compared with about two million in Britain). The five million in the Community make an important contribution to the economies of all the six countries except Italy, which is still a major, though declining, source of emigrants. In the Netherlands, foreign workers make up about 2.1% of the working population, in Germany 6%, in Belgium some 7%, in France 9.6% and in Luxembourg as much as 25%. But the majority of these foreign workers are from non-EEC countries. For example, in 1967 in Germany, which has the largest number of foreign workers, only some 350,000 out of just over one million were from other Community countries. Indeed, over the years the number of work permits issued to Community nationals has tended to decline. The large pool of unemployed and under-employed which remains in southern Italy comprises mainly unskilled and older workers for whom the possibilities of either occupational or geographical mobility are fairly limited. The answer to the problems of these areas can only lie in active regional development and social policies, and not in further large-scale emigration.

Foreign workers in the European Community (thousands)

(with most important countries of emigration)

	1961		1968	
	Total	New work permits issued in year	Total	New work permits issued in year
Germany(total)	476	360	1015	391
- coming from				
Italy	208	166	287	130
Netherlands	45	.	45	.
Greece	41	37	136	37
Turkey	5	7	139	62
Austria	41	.	56	.
Spain	48	51	112	32
Yugoslavia	13	10	100	77
France(total) (1)	.	176	.	223
- coming from				
Italy	.	47	.	8
Portugal	.	8	.	34
Spain	.	106	.	139
Yugoslavia	.	.	.	9
Italy(total)	.	1	33	7
Neth.(total)	28	12	80	18
- coming from				
Germany	8	.	12	.
Italy	6	4	10	1
Turkey	.	.	14	3
Spain	1	.	12	2
Belgium(total)	.	5	182 (1967)	9
Lux.(total)	21	13	29	5

(1) *Unlike the other countries, France has substantial numbers of North African workers.*

Source: European Community Statistical Office (Social Statistics, 1969, Supplement A)

IN BRIEF

Six invite UK to cooperate in technology

The Community's Science Ministers on October 28 decided formally to invite Britain and eight other European countries to begin technological cooperation in seven fields ranging from computers, transport and oceanography to telecommunications, metallurgy and action against pollution and noise.

The countries invited to join the Six are the candidates for Community membership - UK, Ireland, Denmark and Norway, the "neutrals" - Austria, Sweden and Switzerland, plus Spain and Portugal. The British government accepted the Community's invitation on November 18.

The Aigrain Report drawn up by experts from the Six, and which the other countries are asked to comment on, suggests 72 specific projects for collaboration, including items like hovercraft and a giant computer.

Financing the Community

On December 22 the Six reached agreement on the general lines of new arrangements for financing the Community, and in particular the common farm policy.

From January 1, 1971 the Six will pay into a central Community fund all import levies on farm produce, and a progressively larger part of customs duties. The deficit will be made up by budgetary contributions from the governments. From 197[illegible] levy and customs duty receipts will go to the Community, the deficit will be covered by a fraction (up to 1% of Community's gross product) of the receipts from the value-added tax which should by then be roughly harmonized throughout the Community. Up to 1978 there will be limits set to prevent the total contribution of each country from fluctuating, up or down, too greatly as compared with proportions fixed for 1970.

The money paid into the central fund will be used to finance the common farm policy, the European Social Fund, the Euratom research budget, the Community's administrative budget and, one presumes, the proposed new interest-rebate fund for regional development (see page 20).

Democratic control

From 1975 onwards the European Parliament should have effective budgetary control over the Community's funds. This was agreed by the Six at the same time as the new financing arrangements were adopted, though the French government still has certain reservations. This is a long way short of legislative powers, but is nevertheless an important step towards full democratic control. Without it, there would be no direct parliamentary control of the vast sums at the Community's disposal. This significant step is warmly welcomed by the trade unions.

New moves on regional development policy

The preamble to the Rome Treaty includes among its aims "to ensure harmonious development (of the economies of the six countries) by reducing the differences existing between the various regions and mitigating the backwardness of the less-favoured". But the Treaty gives no powers to the Community institutions to intervene in this field. Consequently the Community itself has done little to date. The Commission has undertaken a number of studies on regional policy, and in May 1965 put to the Council of Ministers a first memorandum, suggesting the priorities which should be observed, but the Council took no decision on it.

Six national regional policies thus continue, largely unco-ordinated and often contradictory. But this is becoming more and more obviously unacceptable in a Community progressively more closely integrated. Common industrial, transport and agricultural policies will make some co-ordination of regional policies indispensable, the Commission claims. In October 1969 it put forward new proposals which, if approved by the Council of Ministers, will be a first step towards co-ordinated action.

The six are asked to agree to:

- an annual review of the situation in those regions for which development plans are needed. The Commission would make recommendations so as to fit the plans into overall Community policy - especially industrial, social and farm modernization policy;
- the setting-up of a permanent committee on regional development, composed of representatives of the six governments, under the chairmanship of the Commission;
- the establishment of an interest-rebate fund for regional development, financed by budgetary contributions from the Six and administered by the Commission; and a financial guarantee system for regional development, again financed by the six governments.

The regional problems which the European Community faces are similar in kind to those faced by Britain. The two main types are those of the poor agricultural areas (notably S. Italy, and S.W. and W. France) and regions dependent on problem industries like coal-mining, textiles and shipbuilding (notably N. and N.E. France, the Saar and the Ruhr in Germany, E. Belgium, and S. E. Netherlands). A further regional problem, which again the Community shares with Britain, is that caused by growing congestion in the richer areas, notably around Paris. Lastly, there are the frontier areas, where rational economic development has in the past been prevented by national borders, and the special problem of those parts of W. Germany cut off from their natural economic centres by the Iron Curtain.

Economic forecast for 1970

A 4.5% growth in gross product of the European Community as a whole is forecast by the Commission in No. 3/4, 1969 of its quarterly report on "the economic situation of the Community". This compares with 7% in 1969. The estimated growth of GNP for the six countries individually is as follows: Germany 4.5%; France 3.5%; Italy 7.5%; Netherlands 4%; Belgium 5%; Luxembourg 3%. The expected figure for the United Kingdom is 3%-3.5%.

The down-turn in the Community will be due to both external and internal factors. The slower rate of growth of world trade evident since mid-1969 and reflecting to a large extent the US economic situation, is likely to continue in 1970 and this will affect the Community's development, especially its exports which will probably not increase by more than 7%. Internal demand will probably increase rather more slowly than last year, but will still exceed supply, partly because of the serious labour shortage. Imports are therefore likely to increase substantially, though again at a slower rate than in 1969.

Multi-national firms: unions' growing concern

Trade-union and other anxiety about the increasing power of the major multi-national corporations continues to increase (see also Trade Union News No. 1, p.18). The International Trade Secretariats are particularly interested in this field, and probably most actively so the International Metalworkers Federation (IMF) and the International Federation of Chemical and General Workers (IFC)*(1)*.

European car workers: Union leaders representing car workers from 14 European countries met in Paris from December 3-5 at a conference organized by the IMF. All the free trade unions in the industry from the EEC countries took part. From Britain, the AEF, the T. & G.W.U., the Vehicle Builders and the Sheet-metal Workers sent delegates.

The conference was particularly concerned with the international operation of the big US car manufacturers, General Motors, Ford and Chrysler. The unions accepted a number of common aims. As far as wages are concerned, they agreed that employees of one company all over Europe should earn the same in relation to their countries' cost of living. This is partly as a way of improving earnings, but also to avoid the possibility of a manufacturer closer plants where labour costs are higher and concentrating its production in cheaper labour markets. There was also agreement to try to stop companies transferring work from one country to another during strikes, and on the common aims of a guaranteed annual wage, a 40-hour week (already achieved in some countries), security of employment, and equal pay for women "without conditions".

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(1) see article in The Guardian, December 8, by IFC General Secretary Charles Levinson.

Fabian pamphlet: an excellent pamphlet (Louis Turner. Politics and the multi-national company. Fabian Research Pamphlet 279. 32 pages.) on the multi-national company appeared in December. While finding that these companies are probably not a serious problem at the moment, the author sees them as a potential threat as they could in certain circumstances play off workers, unions and even governments in different countries one against another. He finds that not enough union leaders have yet woken up to this risk and that greater inter-union cooperation is vital in this field.

The pamphlet gives some interesting information on the methods of international operation of some of the big multi-nationals, and also on the work in this field of the IMF and the IFC.

The author concludes that neither unions nor governments are going to be able to exert effective control within the national framework over the international giants, and therefore "that even the most militant socialist is going to have to get his hands dirty in European politics. We are certainly not going to be able to influence European politics without some form of political integration, but basically, we have no real option. 'Socialism in one nation' is no longer a viable policy. It could only be achieved at the cost of the loss of industrial growth and efficiency to which multi-national companies contribute".

TUAC meeting: OECD held a special meeting with its Trade Union Advisory Committee (TUAC) from November 19-21 to look into, in particular, the industrial relations policies of these giant companies and to seek TUAC's advice on what action might be taken.

EEC unions support agricultural reform proposals

The ECFTUC and EO-WFL have taken up a joint position on the need for the reform of farming in the Committee. They adopted in October a joint statement on the Commission's "Agriculture 1980" proposals - known as the Mansholt Plan. While acknowledging the urgent need for reform in order to ensure an adequate standard of living for the farmer and farm-worker, the statement stresses that more attention should be paid in future to the interests of the consumer.

The unions urge the adoption and implementation of an effective regional development policy for the Community (see also p.20), and suggest a special regional development fund to provide finance on the Community level which would supplement the actions of the national governments. They also repeat their earlier call for the reform and strengthening of the European Social Fund (see Trade Union News No. 1, pp.15-16). To ensure full employment, it will be essential to see that farmers are not encouraged to leave the land before alternative jobs are created; and the various aids and incentives planned must be available to farm-workers as well as farmers.

In brief 5

In the interest of both the consumer and the tax-payer, the unions urge more drastic action than the Commission proposes to cut prices and impose farm production limits so as to reduce the Community's expensive surpluses of dairy produce, sugar and wheat.

Unions seek harmonized VAT rates

The European Confederation of Free Trade Unions in the Community has stated that the Community-wide introduction of a value-added tax (VAT) co[illegible] considerable progress possible from a customs un[illegible] [illegible]uine economic union. The Confederation points out, however, that VAT rates in the Community countries are still widely divergent. Only when they are harmonized will the Six be able to abolish frontier controls. This abolition is a prerequisite for economic integration.

Harmonization of indirect taxation must not increase the overall tax burden on the Community's workers and consumers, says the Confederation. They ought to be compensated for inevitable increases in indirect taxation, arising from the harmonization of VAT rates, by reductions in other rates of taxation which they have to bear.

Harmonization of indirect taxation systems and rates ought not to be regarded as a simple arithmetical process. An equitable ratio between direct and indirect taxation ought to be the aim. The fixing of joint taxation rates by the Council should be subject to control by the European Parliament.

The Confederation urged the Commission to consult and inform unions at an early stage about its fiscal proposals.

Slow progress on common transport policy

Concern was expressed by the transport unions of the Six at the slow progress in working out a common transport policy for the Community. Meeting in Brussels on December 8-9, the ITF/ECFTUC unions deplored the many legal, fiscal, administrative and structural obstacles which hinder the free flow of intra-Community traffic. They called for new efforts aimed at a rational and planned transport market in the Six, involving in particular strict rules on investment and on access to the market, the solution of the financial problems of the railways and the harmonization of the conditions of competition of the various forms of transport. They stressed the importance of the recent Community regulation on driving hours, and urged that further measures be adopted to improve working conditions for other transport workers.

The regulation on driving hours, which came into effect on October 1, 1969, covers passenger and goods vehicles and limits daily time at the wheel to 9 hours (or 10 hours on 2 days in any 7). Continuous driving is limited to 4½ hours. For long and heavy vehicles the times are 8 and 4 hours respectively. There is a 50-hour weekly limit. The regulation also covers the minimum age of drivers, composition of crews and rest periods.

The new standards at present cover only cross-frontier transport in the Community, but from October 1, 1970 will also apply to transport within a member state. Talks are being held with Britain and the other European countries who signed the 1962 Geneva agreement on road transport working conditions with the aim of establishing a Europe-wide system. The new rules in no way prejudice the adoption of standards more favourable to drivers in any member country.

The Commission is now preparing new proposals on length of holidays and total hours worked, and on conditions in rail and inland waterway transport.

Majority voting in ECFTUC

Under the new constitution adopted in April 1969 (see Trade Union News No. 1, pp.7-8), when the European Community Trade Union Secretariat was transformed into the European Confederation of Free Trade Unions in the Community (ECFTUC), the seven affiliated national union federations agreed to take their joint decisions by a two-thirds majority vote. At its annual congress in Amsterdam on October 2-4, the Dutch free trade union federation, NVV revised its own statutes and included in them a provision to the effect that ECFTUC decisions will be binding on the NVV. The other national federations will presumably take similar steps when they next revise their rules, but will in practice respect majority decisions even before this is done.

Occupational training seminar

The Commission of the European Communities organized in Turin in December a first seminar on industrial training. It brought together training officers from governments, unions and employers' organizations covering both the public and private sectors. The discussions underlined the need for a common occupational training policy for the Community if free movement of workers was to be really effective. Particular stress was put on the urgent needs created by technological change in firms, and on the importance of a better knowledge of the industrial world in school and university circles. The Commission sees the seminar as a "pilot-experiment" to be followed up by more detailed studies.

Note: A useful article entitled "Vocational training policy of the EEC and the free movement of skilled labour", by Cormac O'Grada, appears in the December issue of the Journal of Common Market Studies (Vol. VIII, No. 2. Published by Basil Blackwell, Oxford).

"Tripartite" meeting on labour problems

Mid-March has been fixed by the Council of Ministers as the date for a "tripartite" meeting, bringing together governments, unions and employers organizations from the six countries. This meeting will consider the whole range of topics in the labour field but especially the problems of adult education and occupational training.

A week before the Ministers met, the Commission had organized on November 19 a meeting with representatives of trade union, employers' and farmers' organizations. This meeting, attended on the union side by representatives of the free, Christian and Communist organizations at the Community level, considered the results of an ad hoc working party on labour problems set up some time ago and decided on its future lines of work. There was also detailed discussion on the length of the working week.

Closer consultation between the Commission and the unions had been agreed upon at a meeting held on October 10, where it was decided to hold regular meetings two or three times a year, in addition to the extensive informal contacts which already take place.

Association of European trade union journalists proposed

Trade union journal editors from the six European Community countries met in Datteln, Germany, in October 1969, to plan the creation of an association of European trade union journalists. The aim of the association would be to improve the flow of information on social, economic and trade union matters in the EEC. The meeting was sponsored jointly by the ECFTUC and the European Community Information Service.

Relations with Greece

Trade unions throughout Western Europe have on many occasions expressed their hostility to the present Greek government, which, under pressure resigned from the Council of Europe on December 12.

Shortly beforehand the ICFTU appealed to all its European affiliates to urge their respective governments to vote for Greece's expulsion, and the European Organization of the WFL also wrote to the President of the Council of Europe's Committee of Ministers to this effect.

Greece has been an associate member of the EEC since October 1961, but since the present régime came to power the agreement has been ineffective, in part because the joint parliamentary committee is for obvious reasons unable to function. Since 1967 the Commission has withheld all financial aid to Greece.

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The motor industry in the European Community and Britain

The automobile industry plays a central role in the economy of the European Community—particularly in Germany, France and Italy—just as it does in the UK. Its importance has become so great that any crisis in this industry affects many other sectors and weakens the economy as a whole. In turn, it is itself very sensitive to general economic fluctuation. Only in the Benelux countries, where, with only one national manufacturer, the main activity is the assembly of foreign vehicles, is the industry relatively unimportant.

I. Structure

Position in the economy

The automobile industry is a very important customer of other industries. In France, for example, the industry absorbs, each year, 90 % of the production of safety glass and 50 % of the rubber, 50 % of the fine and special steel, 50 % of shaped aluminium products and 21 % of the sheet metal produced. In Britain, it uses 12 % of all deliveries of finished steel of every type.

It is also a leading employer: 1.4 million French men and women or 5 % of the total work force, gain their living from the industry. In the UK, half-a-million people are directly employed in the industry and many thousands of others work for component manufacturers. Italy's Fiat has 134,000 people on its payroll, Germany's Volkswagen 100,000.

The motor companies are among the largest of European firms: Volkswagen, Fiat and Renault are the leading companies in Germany, Italy and France. The industry is also a prime contributor to a country's finances, from the point of view both of fiscal revenue (18 % of French tax revenue, for instance) and of exports—British Leyland Motor Corporation is the UK's leading single exporting firm.

The growth of the industry

The European motor industry begins with the foundation in 1890 of the German firm Daimler Motoren. The first French car, built by Panhard and Levassor, who had acquired manufacturing rights for the Daimler engine, took the road in 1891; the Daimler Motor Co. began production in Coventry in 1896, the same year that the first British car, designed by Lanchester, had its initial trials. Fiat was formed in 1899. Up to 1914 progress was slow and construction still a matter of pioneering and craftsmanship. In 1913 France produced more than 40,000 vehicles, Britain 34,000 and Italy 6,000. In the USA, on the other hand, the breakthrough had been spectacular: 4,000 vehicles in 1900, 187,000 in 1910, 970,000 in 1915 and 2 million in 1920.

The First World War confirmed the use of the motor vehicle and, with the introduction of mass production methods, the great growth began which continued up to the slump. On the Continent the number of firms multiplied, though in the UK they declined from 88 in 1922 to 31 in 1929. In the latter year, with American production at 5.3 million vehicles, total output in France was 254,000, in Britain 239,000, in Germany 156,000 and in Italy 55,000. The great economic crisis caused many mergers and wiped out the smallest firms. The Italian industry was especially badly hit and divided into two sectors: the mass producers personified by Fiat, and the others, led by Ferrari, who clung to the old idea of the car as a luxury, custom-built article for a moneyed minority.

The British motor industry was less affected by the slump. An upward trend in production continued: in 1937 Britain became second to the USA as a motor vehicle manufacturer, producing 379,000 cars and 114,000 commercial vehicles. Britain's comparatively favourable experience has been attributed to the rather slow rate of growth in the industry during the twenties, growth in real *per capita* income and taxes favourable to British cars. Production in the USA and Continental Europe did not regain the levels of 1929 until after the Second World War.

During the war, car production in the UK fell practically to zero though more commercial vehicles were turned out. On the Continent, many factories were destroyed or badly damaged but, thanks to Marshall Aid, post-war recovery was swift and the level of 1938 was passed by 1950. In that year British car production topped the half-million mark for the first time. (Later developments in production are given in Section II.)

Vertical integration [1]

The automobile industry could not exist without two types of suppliers: the raw material producers—steel, rubber, glass, paint and textile firms—and the subcontractors who make the components and accessories—electrical equipment of all kinds, brakes, carburetors, seats, etc. As a general rule, the European motor industry, unlike parts of the American industry, does not have financial links with these suppliers nor does it make the materials or components itself. Its "vertical integration" is, in economic jargon, "weak".

There are, however, some exceptions. In Germany Krupp, essentially a steel giant, produces commercial vehicles; two other commercial vehicle firms, Man and Vidal, belong to steel companies. The Flick group controls Daimler Benz. In France, the Michelin tire group has an important interest in Citroën; Renault has its own steel works and also makes machine tools. Fiat has integrated metallurgical raw material supplies for its own needs. In Britain, British Leyland owns Mulliners, a component manufacturer. In general the sub-contractors, while financially independent of the motor firms, are strongly "horizontally integrated." They are comparatively few in number in some important sectors, because of mergers, and have large market shares. Examples are the brake firms of Ferodo, Bendix and Lockheed; and Solex, which supplies all the French carburetor market, two-thirds of the German and half the British and Italian markets. Lucas is an outstanding British case of a firm with a dominating position in a component field—electrical equipment.

There are also the body-building firms, of two types. First, there are the *de luxe* companies (e.g., the famous Italians Ghia and Pinin Farina) who are closer to the world of *haute couture* than to an assembly line and who are the descendants of the early craftsmen motor producers. In Europe they have a fairly small market of high purchasing power but are gaining in importance in the USA, where the "dress" of a car is an essential selling point. Second, there are companies which make special vehicles—medium and heavy commercial vehicles, ambulances, caravans, coaches, etc. In the EEC most of the body-builders have retained their independence, but in Britain this is the area where the most vertical integration has taken place: British Leyland owns Pressed Steel and Ford now has control of Briggs Motor Bodies.

Horizontal integration [2]

Horizontal integration has gone far—and farthest of all in Britain. Only the firms of the greatest size have survived, apart from a few specialist producers.

In **Germany**, since the absorption of Auto-Union by Daimler Benz in 1958[3] and the disappearance of the Borgward group in 1962, four firms supplied 89 % of the 2.5 million cars and light commercial vehicles produced in 1967: Volkswagen 47 %, Opel 22 %, Ford 10 % and Daimler Benz 10 %. The balance comes from NSU, which developed the Wankel rotary engine, BMW which is gaining ground rapidly and a few small firms. The largest lorry manufacturer is Rheinstahl-Hanomag, a steel firm.

[1] The integration in a single company or group of companies of several consecutive stages of manufacture and distribution e.g. iron ore → steel → cars.

[2] Integration of firms at the same stage of manufacturing or distribution.

[3] Since then Volkswagen has acquired an important interest.

In **France**,[4] where there were 200 manufacturers in 1914 and 22 in 1938, four firms now account for 99 % of the total production of 2 million vehicles: Renault-Saviem 40 %, Citroën-Berliet 26 %, Peugeot 20 % and Simca (the French subsidiary of the US Chrysler Company) 14 %.

In **Italy**,[4] concentration is even more marked: one firm, Fiat, produced 86 % of the 1.54 million vehicles manufactured, and Alfa-Romeo 5.5 %. The other firms—Maserati, Innocenti, Lancia and Ferrari—are in the *haute couture* range.

In the **Benelux**[4] countries, there is only one national producer, the Dutch firm of DAF, founded in 1948. Despite a healthy growth in recent years, its production is still no more than 100,000 vehicles a year. Most of the output comes from foreign-owned assembly plants in Belgium, of which the most important are Ford (German and British), GMC (German and British)—both, of course, under American ownership—and Renault-Rambler (French/American).

In **Britain**[4] four groups now produce approximately 99 % of all vehicles. British Leyland Motor Corporation was formed in May 1968 by the merger of the two largest British-controlled automobile manufacturers, British Motor Holdings and Leyland Motors.[5] It produced about 46 % of the total production of 1.944 million vehicles, Ford 27 %, Vauxhall around 15 %, Rootes about 11 %. Nearly all the commercial vehicles are produced by these four groups, especially the lighter vehicles of up to 6 tons which comprise almost 80 % of the market. BLMC makes one third of all commercial vehicles, but Vauxhall is by far the biggest maker of vehicles of under 2 tons. There are some 15 other commercial vehicle specialists and 13 firms producing luxury and sports cars—e.g., Rolls-Royce and Bentley, Aston Martin, Lotus and Jensen. Unlike most other countries, Britain mass produces sports cars (both BLMC and Rootes); it is also the only country to specialize in the production of double-decker buses.

In the EEC, there is a certain amount of state participation. Renault, the main French firm, has been nationalized; Alfa-Romeo is controlled by Finmeccanica, the engineering branch of the state holding company IRI; since 1961, the Federal Government and the *Land* of Lower Saxony have each held 20 % of the shares of Volkswagen and thus have effective control as the 60 % of shares in private hands are very widely dispersed. Extension of public intervention seems, however, unlikely, nor can any such developments be expected in the UK.

Geographical location

The need to be close to its raw material suppliers, its subcontractors, an abundant labour supply and its main outlets caused the motor industry to develop in or near large centres of population. Thus, three of the four large French car firms are in the Paris region; 90 % of Italian production is centred on Milan and Turin; the British industry has been concentrated in the Midlands and the South-East. In Germany the industry is more widely spread and the smaller firms in all countries are also scattered.

This centralization, strongest in France, is not without its problems. Continual growth in production means that factories have to be enlarged, which may be difficult in metropolitan areas. A modern production unit, moreover,

[4] All figures are 1967.

[5] BMH itself was formed in 1966 following a merger between British Motor Corp.—itself a result of a merger in 1962 between the Nuffield group and Austin—and the body-builders Pressed Steel. Leyland Motors was born in 1962 on the merger of the original Leyland Company and Standard-Triumph; it absorbed Rover and Alvis in 1966. Jaguar is also part of BLMC.

needs more room for parking areas and depots than it does for plant. There is thus an incentive for motor firms to decentralize, so long as material and component supply is not made too expensive and labour is available. Because a car has a high value-weight ratio, the cost of delivering the finished product is not very important. Companies have been encouraged by the state to decentralize and have been offered inducements to move to areas where unemployment is above the average.

In France, Renault has advanced down the Seine from Paris to Le Havre. Renault-Saviem is established at Caen and is planning to set up a new plant at Nantes. But dispersal is not very far advanced. Nor is it in Italy where automobile production is still concentrated in the North of the country (success in attracting firms to set up in southern Italy, where heavy unemployment is chronic, has been more marked in heavy industries such as steel). The only example of automobile decentralization in Italy is the big plant now being built by Alfa-Romeo near Naples, with participation by IRI.

Decentralization has gone much further in Britain. The industry has spent more than £200 million in the last few years on expansion and modernization and a large proportion of this has gone to the building of new plants in areas of high unemployment. BMC moved all its heavy commercial vehicle production to Bathgate in Scotland and set up new factories in South Wales and on Merseyside; BLMC has further plans for expansion in the development areas. Ford now has an integrated car-body factory at Halewood, near Liverpool, and plans to add a transmission plant in the same region. Rootes opened a big new plant at Linwood, near Paisley, in 1963. Vauxhall's Mersey-side expansion projects date from 1960.

II. Production and markets

The motor industry has to produce for two very different markets: commercial vehicles and private cars. The former is relatively stable and follows trends that broadly reflect the general state of the economy. But commercial vehicles make up only a fairly small proportion of total production in Britain and the EEC. The situation is radically different in the USSR and Japan.

Motor vehicle production: 1967 and 1968 (thousands)

	1967			1968
	Total	Passenger cars	Commercial vehicles	Provisional total
EEC [a]	6,262	5,707	555	•
Germany	2,483	2,296	187	3,100
France	2,010	1,777	233	2,070
Italy	1,542	1,439	103	1,600
Netherlands	56	49	7	•
Belgium	189	164	25	•
UK	1,944	1,560	384	2,100
USA	8,988	7,404	1,584	10,900
USSR	732	252	480	•
Japan	3,132	1,914	1,218	4,000

[a] Total after eliminating duplication due to the fact that vehicles manufactured in one Community country and assembled in another have been counted in the figures for both.

Source: Statistical Office of the European Communities, *General Statistical bulletin 1968*, No. 10.

In the EEC the private car production sector is the most important. It is a far less certain and less rational market than that for commercial vehicles, but the industry's future health depends on it. The same is broadly true for the UK, although Britain is the largest European manufacturer of commercial vehicles. While car production has grown spectacularly in Europe since the war, capacity and markets do not always correspond.

Trade cycle difficulties

In the last few years, sudden falls in car sales have interrupted the steady growth that succeeded the end of the war and have forced the motor companies to readjust their production as stocks built up. Nevertheless, the market is so considerable that the future for the industry can hardly be anything but favourable. The EEC has 180 million inhabitants and saturation in the automobile market has by no means been achieved, despite the rapid growth of the number of vehicles on the roads: 5 million in 1953, 14 million in 1960 and 35 million in 1967. There is now one vehicle for every seven people, the density reached in the USA in 1920/1921.

This lag behind the USA presages a fairly favourable future for the European industry. Purchasing power is rising, hire purchase is becoming more widespread, leisure and mobility are increasing. All these factors are encouraging the growth of car ownership, which has been further boosted by the introduction of small popular cars.

The evolution of the market

There have been four stages in the evolution of the automobile market:

First, a period of rapid and regular growth in production corresponding to strong demand, shortages and long delivery delays. In Britain and the EEC this period lasted from 1945 to 1958/1960.

Second, a period when the market settles down and something of a balance between supply and demand is achieved: competition between makes and models becomes very keen. These were the characteristics of the market in Europe in the early 60s.

In the third stage, reached in Britain and the EEC during the last three or four years, replacements become increasingly important. In France, for example, 16 % of sales were replacements in 1959. By 1965 the rate for France was 40 %, for Germany 35 % and for Britain 42 %.

It is expected that the demand for replacements will represent more than half total sales in 1970. Signs of this change on the market are second-hand sales and swifter depreciation. The average life of a car is getting shorter: it is now 13 years in the EEC and 10 in the USA.

The fourth phase, scarcely begun in Europe but well advanced in the USA, is marked by the appearance of the second family car. In the EEC, 2 % of households had a second car in 1959 and 3.5 % in 1964; the estimated percentage for 1970 is 6. In the USA, more than 10 million families already possess two cars.

The shift to a replacement market has very important results and sensitivity to cyclical trends becomes extremely acute. Both in Britain and the EEC, the car industry has been much affected by the tendency of governments to use changes in the volume of car sales as a main regulator of the economy. Demand has frequently been damped down by means of credit restriction, taxation and hire purchase deposit requirements.

Competition

Competition within the EEC, eased by the abolition of tariffs, has led to increase trade in automobiles between the member states.

In **France**, imported vehicles represent about 14 % of new registrations in 1966. 47.7 % of imported vehicles came from Germany, 30.7 % from Italy and 12.6 % from the UK; the balance came from the USA, Sweden, the USSR and Japan.

In **Germany**, 56 % of the 200,000 vehicles imported in 1966 came from France (with Renault in a clear lead) and 39 % from Italy—Fiat being the biggest supplier of all, with 72,400 vehicles.

In **Italy**, the actual number of cars imported has fallen in recent years but, as a proportion of new registrations, has remained around the 20 % mark; French manufacturers have felt the squeeze most badly in this market.

In **Belgium**, where most sales come from foreign-owned assembly lines, Germany is in the lead with 43.7 % of new registrations, followed by France with 26.8 %, the UK with 12 % and Italy with 9 %.

In **Britain**, imports have increased steadily in recent years; rising from 60,000 vehicles of all types in 1960 to 97,000 in 1967. Nearly all imports are passenger cars: only 4,200 foreign commercial vehicles were bought by the UK in 1967. Most of the increase in imports represents purchases from Germany (39 % by value of all imported vehicles in 1967) but sales of French, Italian and Swedish cars were also buoyant.

On the export side, **Germany** is the most successful European country: more than half her total production is exported. Volkswagen sells 62 % of its output abroad; its percentage of "vehicle population" in foreign countries ranged from 57 % in Brazil to 3.4 % representing 2.5 million vehicles, in the USA. **France** exports 40 % of its production, Britain about 35 %, Italy 27 %, Japan 13 % and the USA 5 %. European manufacturers add to their direct export sales by assembly plants abroad, of which Germany has 55 and Italy 25, the USA have 122. Britain has assembly lines in about 30 countries. British car exports have expanded more in Western Europe than anywhere else during the last 20 years—from about 20 % to nearly 50 % by value. EFTA countries took almost 20 % (by value) in 1967 and EEC countries more than 15 %.

The American challenge

American cars are generally too large and too expensive for European tastes. US manufacturers have therefore set up plants inside the European market. General Motors bought Opel (Germany) in 1928; Ford opened its Cologne factory at the bottom of the slump in 1930; today, American firms control 35 % of the German automobile industry. Penetration into France was slower off the mark, but since Chrysler gained control of Simca in 1963 it has been more successful. Renault has been assembling American Motors' Rambler car since 1964; the Bernard lorry firm came under the control of Mack Trucks the same year; General Motors through its German Opel subsidiary completed a new plant in Strasbourg in 1968. In Britain, 52 % of production is under American control (Ford, Vauxhall and Rootes). American companies also own the largest assembly plants in Belgium. Italy is the only EEC country not to be affected in this way. In the Common Market as a whole, a quarter of all US investments since 1960 has been in the automobile industry.

It is obviously very difficult for European firms to compete with giants of this size. In 1963, a good but not exceptional year for the US automobile industry, GM's turnover was equal to the French budget and its profit more than Renault's 1966 turnover of Fr. 7.5 billion. In 1965, GM (in the USA, Germany and the UK) built 7.2 million vehicles, Ford (in the same three countries) 3.7 million and Chrysler (in the USA, France and Britain) 2.05 million. Volkswagen, the largest European firm, built no more than 1.6 million, followed by Fiat with one million and Renault with 583,000. The American firms have all the advantages of scale, which enables them not only to invest but also to carry out the essential research and development programmes at a level far higher than that of their European competitors. They also have the advantages, shared by many important sectors of American industry, of more advanced management and organizational techniques. Their European subsidiaries are given a great deal of independence, but are backed up by the vast resources of their parent firms.

Many European manufacturers believe that, faced with such a challenge, it is pointless to continue along old-fashioned competitive lines in the European market. European firms should get together to meet the threat. Collaboration of this kind could take various forms.

At the lowest level, **commercial agreements** for the sharing of sales networks have been concluded in the last five or six years between, for instance, Fiat and Simca, Renault and Alfa-Romeo, Citroën and NSU, and Saviem and Henschel.

A second form of collaboration, which, like the first, does not affect firms' independence, concerns **reciprocal assembly arrangements.** Deals of this sort have been concluded, among others, by BMC and Innocenti, and by Fiat and Neckar.

Technical co-operation agreements go deeper, as they affect the independence of companies and may in the end lead to mergers. Peugeot and Renault came to such an agreement in 1966—an unusual marriage of public and private enterprise. The two firms continue to compete but standardization of parts will lead to standardization of tooling and must result in lower costs. In the longer term, research and investment are to be co-ordinated. Despite talks between Volkswagen, Renault and Fiat, similar agreement on a European scale have not been concluded.

But the market is such that something more than mere agreements between "large" European firms is needed: **mergers** are needed if European companies are to put up a real fight against the incomparably larger US companies.

Rumours involving various companies have appeared from time to time, but the first concrete move came in September 1968 when Fiat proposed taking over Citroën, France's second largest motor manufacturer. Such a move had been rumoured as far back as 1962. The terms of the proposed merger were never published, but were reported to have involved the acquisition by Fiat of an important holding in Citroën (in which the Michelin family had a 53 % interest). However, there was strong opposition from the French Government to the control by a foreign firm of a major national asset. Nonetheless, the two firms continued their negotiations and it was finally agreed that Fiat should take a 15 % stake in Citroën and that the two firms would extend their commercial and technical co-operation through joint purchasing, research and development programmes. The Fiat-Citroën link-up therefore represents a significant step forward in intra-European integration even if the hope of a fully effective merger was frustrated.

Conclusion

In general, then, the European automobile industry has an uncertain future but one not without promise. Future American policy can only be guessed at; how long will US manufacturers remain content with the firms they now control? The Japanese offensive has no more than begun. In 1967 Japan produced 3.1 million vehicles of all types, overtaking Germany for second place in the world league, having overtaken Britain for third place in 1966 and France for fourth in 1964. In 1968 Britain ranks fourth before France.

It is clear that the long-term success or failure of the European automobile industry will be decided only within a wider framework. If the Community's customs union, already achieved, is to provide that framework by developing into a full economic union, it will require much greater realism and understanding in the part of national governments that has been shown in recent years.

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