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30 December 1980

West Europe Report

(FOUO 54/80)



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WEST EUROPE REPORT

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THEATER NUCLEAR FORCES

PERSPECTIVE ON EUROPEAN-AMERICAN RELATIONS, WESTERN ALLIANCE

London THE ECONOMIST in English 29 Nov 80 pp 81-82

[Review of book "The Western Alliance" by Alfred Grosser published by Macmillan, 375 pp]

[Text] With Ronald Reagan soon to replace Jimmy Carter at the White House, no more appropriate time could have been chosen for the publication of this study of European-American relations since the second world war. Its author, Alfred Grosser, is professor of political science in Paris, an authority on Franco-German relations in particular and a respected and regular commentator upon world affairs in *Le Monde*. The subject which he has chosen for this present book is, arguably, too vast and complex for any individual to encompass; but if anybody can get close to doing it, Professor Grosser can. The result is a detailed account which ought to be on the bookshelves of everybody interested in contemporary affairs. And it ought, furthermore, to be required reading for those members of the British government who have to haggle with their EEC counterparts in Brussels one week and sign defence deals in Washington the next.

The structure of the book is basically chronological rather than thematic—a sensible arrangement, since Professor Grosser shows that it is the received traditions and the historical presumptions of each individual state in the western alliance which has conditioned its handling of contemporary problems. De Gaulle's anti-Americanism in the 1960s, to take a prime example, was not just caused by dislike of the war in Vietnam and by economic rivalry but also by a cultural and ideological antipathy towards American capitalism which was already strong in France in the 1930s. The European-American relationship, as this book makes clear, has been affected both by the circumstances of the time and almost as much by faulty and one-sided perceptions and subjective images of another people that are far from reality.

The issues which have divided the United States and its west European partners in this period are certainly weighty enough: tariffs, Suez, the role of the dollar, the position of Israel, arms limitation and so on. But what needs immediately to be shown—and this Professor Grosser does very well—is that these disputes have to be placed in their context and set against the factors which make for close ties between each side of the north Atlantic: the shared assumptions of the western liberal order, the interpenetration of their economies and, above all, the common concern about Russian policy. Yet even when the unity of Nato has appeared assured, there are tensions under the surface caused by the fundamental disparity of power within the alliance. Thus, as Professor Grosser observes: "Every western European statesman experiences two contradictory feelings [on military defence]: satisfaction that the United States exists, and annoyance that the life and death of his fellow citizens depend in large measure on the decisions of a foreign and distant president". The western alliance, like many other relationships, brings a mixture of advantages and disadvantages to each partner.

What the author also makes clear is the differing reactions of the individual west

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European nations towards the United States. Here, because of his breadth of knowledge, Professor Grosser is in his element, describing, for example, the Italian stance over a certain issue in a few sure paragraphs and then moving easily on to the Dutch. Above all he concentrates upon France and Germany, partly because this is his own field, but mainly because he argues that those two countries have, as it were, been "the two centres of gravity in the history of western Europe but also the two extreme instances of the various situations and forms of conduct in relations with the United States". Britain, although important, was and is "not at the same level" he argues. As a result his chief focus is upon the myths and realities which surrounded the men in power in Paris and Bonn, and why they have treated the United States in such different ways.

This, ultimately, is why Professor Grosser's book, which already has been very successful in France and Germany, deserves to be carefully studied in Britain too: because it should remind a government, some of whose members still think of the "special relationship" and others of whom believe that Britain is "fully European", that neither assumption is to be found in Washington, Bonn and Paris, where different perspectives prevail. At a time when—who can foretell?—the western alliance might again be under strain, it is as well that Britain's rulers and informed opinion should know where Britain stands in the complex, multilateral web of European-American relationships. Professor Grosser's book will certainly help them get their bearings.

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THEATER NUCLEAR FORCES

UNITED KINGDOM

EFFECT OF NORTHERN IRELAND WAR ON UK NATO COMMITMENT

Madrid DEFENSA in Spanish Jul 80 pp 26-30

[Article by Vicente Talon, DEFENSA special correspondent in Ulster: "The Non-Stop Guerrilla War"]

[Excerpt] Vicente Talon is an expert on the Northern Ireland problem, about which he has even written a book, "Guerra en Irlanda" ["War in Ireland"], (San Martin, Madrid, 1971). He visited that area for the first time in 1968, when the Catholic resistance movement was just beginning in an absolutely peaceful and justified framework, which failed because of the intransigence of the authorities, the behavior of the much-feared "B Special" police, made up entirely of Protestants, and the excesses of the union sector, which was reluctant to give up any of its privileges. Since then, Vicente Talon has made several trips to Northern Ireland, during the last of which he wrote this report for DEFENSA.

Difficulties for NATO

The problem of this nonstop guerrilla war is having serious repercussions with respect to the military commitments signed by the London government, which trained its forces to fight within the NATO system in a classic or nuclear war in Europe, but not to waste them on an uprising. To understand the gravity of the situation, we must bear in mind that for a unit to spend 4 months in Ulster means to find itself 6 months away from its normal training program. This is because, as I have already said, there is a 2-month preliminary training period and, once the experience is finished, all the men have more leave than is advisable. If it is remembered that a unit passes through the Ulster "sieve" on an average of every 2 years, the time loss is truly serious.

One military specialist had this to say on the subject:

"Many infantry units have not carried out the required training in support weapons for several years, and they are rapidly losing the skill to use these weapons efficiently. Once it is completely lost, it will be necessary for them to spend many years recovering it, especially since many of the best instructors are reaching retirement age. Something similar happens in the artillery regiments, many of which have been converted into infantry and have had very little opportunity to carry out special training in the weaponry. Perhaps much more dangerous than losing that

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practice with the weapons is the loss of training in all weapons. The infantry companies have not been adequately trained with their own support weapons, let alone additional weaponry; nor have the ranger-type troops. In my own case, my brigade was not supported by its own artillery regiment in any exercise for a little over 2 years, and they had to bring in other regiments for training.

"Armored regiments, as well as artillery and engineer regiments, have been used in the role of infantry, and although a change of air can indeed be beneficial, the continuation of that policy presents dangers which are all too obvious. Here, again, training in all weapons has been seriously reduced, with very grave consequences."

Although that paragraph is somewhat confused, there is not the least doubt that it reflects perfectly the reigning problem, as well as the negative effect the Northern Ireland war is having on England, on the one hand, and on the Atlantic Alliance, on the other. Gen Sir Harry Tuzo, who first commanded the British expeditionary troops and who later was named deputy supreme commander of NATO in Europe, has already said: "The removal of our troops from Germany for 7 months is very serious, and we cannot contemplate it with equanimity. It affects the discharge of our military priority, and our allies are aware of this."

Impelled by the necessity to withdraw from Ulster, at all costs, and knowing that the prerequisite for this is to defeat the IRA [Irish Republican Army] first, the British army is looking for a shortcut and is resorting to the use of pressures which are indefensible from an ethical point of view, not disdaining any means to break the morale of the Catholic people as well as the sharp fighting spirit of the IRA provisionals.

The men of Spearhead Battalion, those of the Special Airborne Service (SAS) and many, many others have left behind them a string of actions that they justify, doubtless, by the well-known slogan: "My country, right or wrong." Because they are fighting for their country, or so they believe, the soldiers from London have carried out--and are carrying out--a harsh policy. In April, 1977, the Dublin government presented to the European Court of Human Rights, headquartered in Strasbourg, a detailed list of more than 200 cases of torture committed against Catholics by members of the expeditionary forces. In that document it was demonstrated that England is guilty of that crime, carried out systematically on a large number of people, and that in addition torture has become a mere administrative practice.

These serious charges were basically admitted by the British attorney general, who spoke of almost inevitable mistakes by the army in its efforts to stop the violence.

A former member of the Special Airborne Service stated before the Court of Human Rights that 250 officers and noncommissioned officers are trained annually on the basis of experiences in Ulster, in what is called "thorough interrogation." The program is carried out with the participation of volunteers who, before being used as guinea pigs, must sign a statement couched in these words: "I hereby state that I am offering myself voluntarily for a practical interrogation exercise and that I expect to receive a simulated example of the type of treatment an enemy might inflict upon me without hesitation if I were captured in time of war."

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The former English commando agreed to tell about what happens in those centers because he had been told that when one reached the limit of his resistance, he had only to give some slight indication to have the experiment suspended. However, when he gave that indication, they ignored him and continued to torture him. Someone commented, "If you die, we will put you on the list of traffic fatalities."

It is difficult to know how many members, or suspected members, of the IRA have lost their lives while having inflicted upon their persons the latest British discoveries in the field of sensory attack, but the number, according to reports, cannot be small. However, huge resources have demonstrated that they are incapable of stopping the development or continuation of the guerrilla war. The IRA, in spite of the fact that its men were not trained in any military academy, remains where it is. Nobody or nothing has succeeded in budging it.

The discouragement is not in its camp, but in that of its rivals, who find themselves powerless to get out of the Ulster quagmire.

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ENERGY ECONOMICS

ITALY

DANGER OF ENEL OVERTAKING PRIVATE ELECTRIC POWER COMPANIES

Milan IL SOLE-24 ORE in Italian 4 Nov 80 p 5

[Article by Marino Massaro: "Energy and Finances in Danger for Private Industry"]

[Text] Uncertainty about the renewal of hydroelectric concessions

Milan--Montedison, Cogne, Falck, Alcan Aluminum, National Linificio and Canapificio (Bassetti group), Caffaro, Burgo, Cantoni: these are some of the best known public and private companies whose hydroelectric plants will be expropriated at the end of January unless the law is changed. (These plants have a nominal total power of 182,789 kilowatts.) They would be lost to ENEL [National Electric Power Agency] without much in return. Some municipalities are also involved in the matter; among them are the electric power companies of Turin and Milan.

After meetings at the ministry of industry on 23 September and 10 October and a colloquium (see IL SOLE-24 ORE 21-22 Oct 80), the issue is still to be defined, although only 90 days remain until the concessions fall due.

If the issue is left unresolved, what effect will it have on the life of this industry? We put the question to one of the people involved: Vittorio Fontana, general manager of National Linificio and Canapificio (5 main plants; 2,000 subsidiaries, and a total bill of 70 billion lire).

"If I may use a figure of speech to express the idea, we may say that these companies, especially the medium and small private ones, will get a big kick in the balance statement, one that will endanger their stability."

It is a fact that many of these firms were chosen precisely because their electric power is available; the average cost of production is presently between 6 and 10 lire per kilowatt hour. Without these plants, ENEL would be paid 45-50 lire a kilowatt hour. To give an idea of the size of the problem, a company like Falck would find its costs increased by at least 27 billion lire, but National Linificio and Canapificio would have increased costs of 2 billion lire.

But the reasons for which companies producing their own electricity oppose the non-renewal of their concessions are more general in nature. Besides the companies' basic need to keep their production not only economical but also viable, the industry representatives point out, as they did several times at the ministerial meeting, that the solution to the energy problem can be found with the participation of all the forces that can and will contribute to it.

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There are some facts supporting the private initiative. As Fontana maintains, there is above all greater efficiency in the management of the plants, "Let's take a typical case, one that happened in our plant. A flood demolished part of the plant. In three months we succeeded in putting the plant back into operation. A big public corporation, which undeniably has more complex procedures, would probably have kept the plant closed for a year."

Also in favor of keeping a part of electric power production in private hands: the lesser cost of management, which is due to the greater productivity of companies producing their own electric power, where the power plants are an integral part of the companies' assets, and their greater speed in technological updating, which is now partly slowed, mainly because of the uncertainty due to the present legislation.

On this last point the private power producers agree in maintaining that it is unfair to accuse them of having let their plants decay. "The plants," say the interested parties, "are a part of the company's assets that require a minimum of funds for investment and relative amortization. So far, the investments that have been made have fallen into a normal working pattern. Nobody has given funds or contributed to them. The very purpose of law No 655, article 14, provides that the government may contribute 20 percent for operations performed, not on the basis of intent, as for ENEL."

What, then, are the solutions proposed by the self-producing companies? "At this point," Fontana says, "a government act is necessary to postpone for at least 1 or 2 years the lapse of the concessions in order to allow the companies affected to present their own plans for restructuring, plans based on a renewal of the concessions for an appropriate period of time."

This is a position that seems to be shared by the ministries of the budget, treasury, public works and industry, whose representatives--at the two meetings previously mentioned--requested that ENEL, the municipalities, and the private power producers to present their own plans for the plants whose concessions are in question.

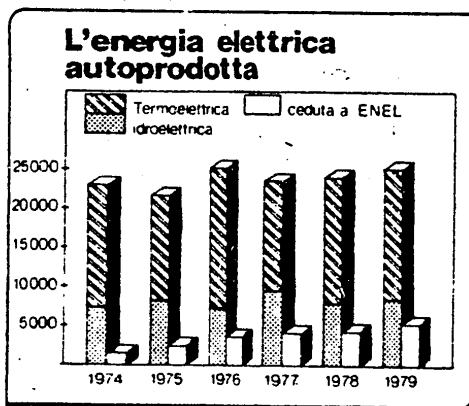
ENEL has already served notice that it has studies ready for 18 of the 24 plants involved but that individual cases remain to be examined. Industry representatives (belonging to UNAPACE [expansion unknown] or EFIM [Manufacturing Industry Holding and Financial Company] and IRI [Industrial Reconstruction Institute]) have said they are ready to furnish the information requested but that it would be only general at the moment though sufficient to justify an extension of the transfer deadline in order to complete organizational plans to be submitted to the competent authorities (the ministry of public works).

The documents are to be submitted at the end of November. One thing remains, though: two short months (considering the Christmas holidays) are not very long for a medium length extension as requested by industry.

Finally, a fundamental aspect should not be obscured: when the public authorities examine the plans, they should keep uppermost in their minds--the private power producers say--that these plans are a response to economic reasons that even ENEL can afford to take into consideration.

[Graph on next page]

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Title: Privately Produced and Used Electric Power

Key: striped bar = thermoelectric power
shaded bar = hydroelectric power
blank bar = ceded to ENEL

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COUNTRY SECTION

FEDERAL REPUBLIC OF GERMANY

MODERATE SETTLEMENTS FORESEEN IN COMING WAGE PACTS

Hamburg STERN is German 13 Nov 80 p 246

[Article by Heiko Tornow: "Zero Growth in Pay Envelopes"]

[Text] Labor unions would be satisfied if during the coming rounds of wage negotiations they would be able to settle for agreements that keep up with inflation--for employers that is already too much.

A hot tip is being traded among stock speculators: The day after the next wage and salary agreement in the metal industry stock prices will be rising. The hope is not unfounded: On 13 February 1980, when a prolonged wage dispute was settled between the Metalworkers Union and employers in North-Rhine-Westphalia agreeing on a moderate increase of 6.8 percent, the reaction on the stock market was indicative of a "significant recovery" (HANDELSBLATT).

Even higher gains for stock prices are expected after the conclusion of the first round of collective bargaining in 1981. The reason: evidence of restraint by unions. Even Chancellor Helmut Schmidt had praise for them: "Our labor union colleagues are realizing the fact that we have no money at our disposal for additional wages and benefits."

As a matter of fact, German Labor Union Federation leaders are unusually peaceable when discussing the upcoming round of wage negotiations. Guenter Doeding, chairman of the Food, Luxury and Restaurant Union said: "We have to consider the differences in economic developments and productivity in individual industries. Heinz Kluncker, chief of the Public Service, Transportation and Communications Union, was already satisfied when, "Thank God," the 3-month wage freeze that had been threatened by Minister of Finance Matthoefer, "had been tabled." And Eugen Loderer's Metalworkers Union is more concerned with income security than an increase.

Nevertheless, it will be difficult for the Metalworkers Union to achieve even these modest goals. Earlier than ever before, with expenditures that are without precedent, employers are planning to take the offensive during this collective bargaining round. At the end of November, the chairman of the combined Metals Employers' Association will travel all over the country to ask employers between Munich and Hamburg to commit themselves to unity and economy. They are to limit wage increases to no more than 3 percent. But that is not all: A colorful pamphlet will be

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distributed this week to more than 100,000 management people in the metal industry, supplying them with arguments in support of foregoing wage increases. And in January, during the "hot phase" of collective bargaining, 1 million copies of an informative publication are to convince even members of the Metalworkers Union that less is more.

The logic of employers is: The Metalworkers Union is to agree to wage and salary increases which this time will be lower than the expected inflation rate of 4 percent, as a contribution to longer-term price stability and low unemployment.

Dr Dieter Kirchner, chief manager of the Combined Metal Employers Association, thinks that he should be able to ask Loderer to "advance" this "trust": "If the experiment fails--after all, we cannot guarantee prices--the union can make up for it during the next bargaining round."

For some reason Dieter Kirchner cited as a shining example the English labor unions who previously had been taboo: In the metal industry they recently signed a contract containing an 8.2 percent increase--and they did it in spite of a galloping inflation of more than 15 percent. Combined Metal attributes to the German collective bargaining opponent at least that much "common sense and responsibility concerning the entire economy."

After all, putting a signature under the first regional collective bargaining agreement in 1981--the test case has not yet been selected--does not only affect wages and salaries in that particular collective bargaining district. Whatever the Metalworkers Union is able to negotiate for its members will then be copied by all the other districts and other German Labor Union Federation affiliates. The 6.8 percent, for instance, which was negotiated in February 1980 by the Metalworkers Union in North-Rhine-Westphalia can be found in more than 3,000 wage agreements covering all industries.

In spite of his responsibility, however, Eugen Loderer will not be able to disregard the wishes of his base. During the recent labor union meeting in Berlin, the collective bargaining commissions of the Metalworkers Union obtained greater codetermination rights. As far as they are concerned, the "principle of hope" of Combined Metal does not count, only facts do.

Not only the 4-percent rate of price increases calculated by scientists but also the conservation program of the government is reaching into the pockets of workers: Gasoline is getting considerably more expensive, the railroad is increasing fares by 8 percent, old-age pension and health insurance demand higher contributions. In view of such burdens, wage and salary recipients would already be making a sacrifice if they were satisfied with 5.5 percent. That is the prevailing opinion among collective bargaining commissions of the Metalworkers Union.

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COUNTRY SECTION

ITALY

POLL OF PCI LOCAL LEADERS ON PARTY LINE

Milan IL MONDO in Italian 7 Nov 80 pp 12-14

[Article by Nino Ciravegno and Roberto Ippolito: "Beware of Berlinguer"]

[Text] In this IL MONDO poll, local PCI leaders avoid direct attacks on their party secretary, but give him a good deal of advice on how to correct the direction he is following.

At the last moment, a meeting of directors changes its theme and its chairman. The party's official weekly RINASCITA openly demands self-criticism. Party Secretary Enrico Berlinguer's speech on confidence in the government becomes a message to the militants. All such symptoms indicate that a process of clarification is under way within the PCI through an ongoing discussion, which heretofore has seen only its top leaders as public spokesmen but now embraces all the party's structures.

The rank and file are wondering whether the party can overcome its present difficulties, what adjustments are necessary in the course it is following, what the collision with Fiat has taught it, and how to restore relations with the PSI. To understand the various, often contradictory, trends within the party, IL MONDO has queried communist provincial and regional leaders to find out how the PCI in the hinterlands views the party's present policies. (Despite repeated solicitations, the leaders in Bologna and Emilia have made no response.)

Renzo Gianotti, Provincial Secretary of Turin

Within the party, a tremendous debate is focused on how to repair relations with the management negotiators (all 40,000 of them are not reactionaries) and how to resolve our problems with big industry and Fiat, which needs our active assistance to emerge from the crisis, however little it is wanted. But even if divergent positions have cropped out in our regional committee--a normal result of our internal dialectics--I deny that there are any permanent opinion groups; and whoever speaks of (political) currents does it out of a misconception or simply journalistic speculation. And after the dispute with Fiat, it is also incorrect to talk about a PCI defeat or the party's isolation because over these extremely difficult months, mutual understanding has been strengthened between the parties of the left coalition and the workers.

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Athos Guazzo, Regional Secretary of Piedmont

No doubt because Piedmont is a special region (the only one to renew all its coalitions of the left, many now including the social democrats), here the party is more united than ever. In his speech, Berlinguer, who spoke at the gates of Fiat after we pressured him into it, summed up this extraordinary unity, which has expanded in these past months when we recaptured whole workers' sectors that had moved away from the party in 1979.

Roberto Vitali, Secretary for the City of Milan

If I said that the party here is carrying on a peaceful discussion, I would be telling a falsehood because our meetings are extremely agitated, rife with tensions and contrasts. But if we stopped papering over our true situation today and passed ourselves off as a monolithic group, with everything going well, let no one cherish the illusion that we are coming apart at the seams simply because of the very high tension. Apart from our discussions on union democracy and on our relations with the technocrats and intermediate classes, we also have the problem of the party's organization. We are deeply concerned with the need to improve relations between the base-top and the center-periphery, and we are committed to pursue this goal so that we can bring fresh contributions to the next central committee.

Romeo Jurilli, Provincial Secretary of Pavia (for the Past 10 Days)

In certain respects Pavia enjoys a privileged situation because with the socialist federation controlled by the left current in that party, we have succeeded in establishing advantageous bonds, which have enabled us even to transcend the secretarian attitudes of some comrades who are fed up with Bettino Craxi. Apart from examining the problems of union democracy and our relations with management, we are aiming for a wider involvement of the intellectuals. We have emerged from a period of stasis in the debate which, on the whole, parallels the debate on national solidarity. Until now, we leaders have too often limited ourselves to explaining the party line. Now our comrades aspire to internal democracy more than to anything else.

Cesare De Piccoli, Provincial Secretary of Venice

The Fiat debacle accelerated the problem of the relations between the working class and the technocrats and management negotiators—a problem that has engaged us for some time, particularly in the case of Petrolchimico in Marghera. Now we are making an effort to preserve our relations with the socialists (we do not want to see them deteriorate because they are operating satisfactorily on the local level) and to beat down those persons who fan controversial flames.

Claudio Tenel, Provincial Secretary of the Trieste Autonomous Federation

In spite of the insane propaganda given out by the Melone roster against the strike in behalf of "the Italians of Turin," Trieste has been powerfully mobilized, thanks mainly to the communist workers (whose numbers have grown for the first time in 4 years). Here our base has unconditionally approved Berlinguer's speech at the gates of Fiat because everyone still remembers the barricades in 1968 when CIPE

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decided to shut down the San Marco shipyards. After that manifestation, a mighty debate broke out, mainly about the problem of social alliances and our affiliations with the PSI, whose departure from the labor movement we do not discount.

Francesco Mandarinini, Provincial Secretary of Perugia

The militants are doing a lot of talking. The uncertainty that prevails in Italian society inevitably weighs heavily on our party: the continuing rift with our socialist comrades, union difficulties and virulent attacks, both ideological and otherwise, on the working class are the major issues we must confront. One problem that involves local leadership: to explain not so much national PCI policy as the need for the party, on every level, to take forward strides in a strategy endorsed by the great majority of our comrades. Such strides must not be limited to central committees; Italian social and institutional reality is so complicated that it must be understood everywhere, not only in Rome. The regional and federal committees must make more incisive contributions in shaping the party's tactical options and strategy.

Claudio Carnieri, Regional Secretary of Umbria

Questions are being asked everywhere and on all levels of the party. In the PCI we are seeing a counterattack by management; it has raised its flag over Fiat and it is spreading. Militants are asking how it can be repelled and how we can formulate a policy of change. Some of us have learned a lesson from the Fiat affair: that the working class must cope with the enduring problem of extending its alliances and its national function. Through self-criticism we are also raking over the PCI's defects, but the main issue is the fact that we are in controversy with Bettino Craxi and the socialists, in other words with the forces that put labor's problems between parentheses. But what should come first is the fundamental social question of a profound transformation of the country, and, that is, of the working class.

Maurizio Ferrara, Regional Secretary of Lazio

In terms of the PCI's overall policy, the communists' position in Lazio is no different from communist positions in the other regions of Italy. But there is one distinction: in Lazio the PCI is running the regional government, the communes and the province of Rome while at the same time standing in opposition to the national government. We communists are convinced that what efficient administrative action needs is not homogeneity between national and local formulas but a unified policy toward renewing society--and we are fighting for this. Toward such a policy of reform and renewal we are working from the opposition in parliament and in the regions and communities we govern.

Gavino Angius, Regional Secretary in Sardinia

We Sardinian communists have supported the party line for the past year, but this does not discount our open debate. As for the Fiat case, the Sardinian regional secretaries' assembly brought out three important points: overall, the union failed to understand the political and national significance of the disagreements; our methods of attack must be fluid in order to deal effectively with political changes; and in moments of major crises, labor must take the offensive on a broad front, it

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must be able to form alliances and involve other forces and social strata. Another central problem concerns our relations with the left. On this score, what worries us is this: in the PSI we detect a cooling off toward the movement to unite the left. Therefore we must confront the socialists on the urgency of establishing a united front.

Piersandro Scano, Provincial Secretary of Cagliari

I fully endorse the party's decisions, from its offensive against the Cossiga government to the Fiat dispute. As for the Cossiga government, I endorse the party's tenacious attack on its moderate policies, aiming to shunt the PCI off to the sidelines. Against the new Forlani government, the form our opposition takes will depend upon its options. From the Fiat affair, we can draw two conclusions: we need to strengthen our opposition with the widest possible array of alliances; in support of labor we must form alliances with [elements of] the middle and managerial classes, with intellectuals, technocrats and the peasants. The union's deliberations must involve us, too. Our fundamental task is to reactivate a broad policy of social alliances and political agreements.

Umberto Minopoli, Provincial Secretary of Naples

We find ourselves in a particular situation. The June elections and, even more, recent developments have underscored gigantic problems in connection with a switch in the party's initiatives in the south, including a more attentive evaluation of the real conditions in the south. Our thinking has not always been timely. The disturbances in the north have brought out the problems that exist within the working class, but we cannot overlook the enormous disparities that afflict the south. It was the differences between the labor problems in the north and the hardships in the south that resulted in the disappointing outcome of the June elections. The Fiat affair, which posed the problem of labor's alliances and its relations with management chiefs and technocrats, must not mean that the nation's unity and the mobilization of the entire working class toward employment will be lost from sight.

Umberto Ranieri, Regional Secretary of the Basilicata

Within the party, two questions are uppermost. The first concerns what means can rebuild the forces of the left, even though the present socialist leaders are pursuing a divisive policy that will lead neither to a renewal of the country nor to limiting the Christian Democratic party's excessive power. Look at the socialists' conduct in the south: they are content with a bit of center-left and they confirm the Cassa del Mezzogiorno. The future of the entire left is under discussion; that's why, for our part, we must overcome our hesitations and uncertainties and organize a united offensive, calling upon the PSI to take its measure in the prospect of a national government that includes the participation of the entire working class movement.

Secondly, we must forestall a decline in the ranks of the reformists. To do this, we must plan changes to involve new social strata, perhaps even those traditionally far distant from the labor movement. With this in mind, over the past years we have pressed for a medium-term plan, for austerity and for resumed programing. Our

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limited actions in this direction have lessened the appeal of our policies. Possibly we nurtured the illusion that simply by passing over to the opposition, we were doing enough to solve the nation's difficulties in the 3 years from 1976 to 1979.

Between Isolation and Fear of the PSI

Secretary Berlinguer has not accused anyone directly; but given the PCI's tendency to close ranks in difficult moments and its angry reaction to efforts made to define the differences which are fueling the controversies in the major party of the left on the eve of the central committee's 3 November meeting, the views of local party leaders queried by IL MONDO on the thinking and moods of the rank and file are illuminating. Above all is the fear that the party might remain isolated in its opposition to the government.

In the hinterland, party followers are still weighing the results of the dispute with Fiat. They feel that the case was badly handled, for which the party was responsible in part, and that it ended in something like defeat, marked traumatically by the [stout] opposition of the Fiat negotiators and the discovery of a deep rupture between the workers and the union. For the base, the immediate problem now is how to stitch up relations with the negotiators, as Renzo Gianotti, provincial secretary of Turin, puts it, hence the need for "involving the intellectuals," as Romeo Jurilli, provincial secretary of Pavia, sees it. The base believes that the PCI, which has not always shown an adequate capacity for initiative in the past, must face these matters with a new approach. "Too often," Jurilli observes, "PCI leaders have done nothing more than merely communicate the party line to their constituents." A new policy on social alliances therefore must come first.

For the polled leaders in general, the problem concerns the party presence and image even more than a political lining up (except for Piersandro Scano, provincial secretary of Cagliari; for him the question of social alliances parallels that of political agreements, hence the formation of local coalitions between the PCI and the Christian Democrats).

Obviously, the party's very functioning is also under fire. According to Francesco Mandarinini, Perugia's provincial secretary, it reflects "the uncertainty that dominates the Italian society." Rare are the men (among them Athos Guazzo, secretary for Piedmont) who declare that all goes well and find the PCI exceptionally compact. To Claudio Carnieri, Umbrian secretary, the party is compat only in its harsh criticisms of the PSI and its secretary Bettino Craxi. The attacks on the socialists, he says, come first in the PCI's internal discussions, an anti-PSI policy echoed in the periphery.

Some of those interviewed speak of the urgent need to "intensify the confrontation with the socialists to affirm a unitarian policy," says Gavino Angius, regional secretary for Sardinia. Others, stressing the objective of a unified left, voice reservations on Berlinguer's strategy no less than on Craxi's. "If need be," says Umberto Ranieri, regional secretary of the Basilicata, "let us also talk about laborism, going to the nub of the problems without summary liquidations. Just look at what has happened in England--unless Martelli does not see it as the work of Berlinguerists who have infiltrated the Labor Party. The British socialist left has won the party's congress by calling urgently for a profound rethinking of a whole historical experiment."

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COUNTRY SECTION

ITALY

PARTIES DISCUSS MOUNTING PROBLEMS IN PUBLIC SECTOR

Milan IL MONDO in Italian 7 Nov 80 p 11

[Article by Donato Speroni: "The Autumn of Public Works"]

[Text] With costs in the thousands of billions, the debate among the parties on state participation must inevitably arrive at some unpleasant conclusions.

The first will be the republicans, meeting in November. Then the communists will move, with a national convention scheduled for early December. Next, the Christian Democrats will follow up their day of study last July with new initiatives. But the last word on this autumn dedicated to the theme of state participation will come from socialist minister Gianni De Michelis, who will soon issue a voluminous white book on public undertakings.

How is it that all parties are now bestirring themselves in this sector? What good will come from their deluge of words? There are indeed some wrinkles that must be ironed out at once, primarily the problem of refinancing the system of state participation which, with the funds provided by Law 675 of 1977 already exhausted, has been taken over by scattered projects as a result of pressures put forth by power groups rather than any clearly defined program. The public works agencies are again asking for many thousands of billions of lire, but their pleas cannot be answered without a broad consensus of the parties.

What sort of reform can bring forth such a consensus? At the moment, the debaters still seem to be overwhelmed by a confusion of ideas, in part because the politicians are obliged to swallow some disagreeable truths, which have emerged during the past few months, most clearly at the recent Pavia congress on the crisis of state participation, attended by almost all the most eminent experts on industrial policy. Here are some of these truths:

1. The state participation system is defunct. In 1979 private capital invested in IRI dropped to 7.4 billion lire against a need for 4,000 billion. Furthermore, the next increase in SIP's capitalization will be covered by IRI on the pretext of holding the shares in custody at the disposal of private investors. Thus, the fusion of public and private capital, nub of the system, is becoming extinct. Moreover, many public works agencies operate under price and tariff controls, such as state agency monopolies. Meanwhile, apart from state participation, there is a proliferation of other public organisms allied with GEPI, INSUD and similar units of finance.

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2. Because of past errors, today it is virtually impossible to restore autonomy to public works directors. In order to invest, organizations must nearly always take recourse to special credits or ad hoc endowment funds, i.e., public funds over which parliament and the government now wield a power of decision. In addition, for all investments in restructuring that pose problems in labor mobility, even with very small public industries, the inevitable negotiations with the unions invariably end up on some ministry desk. Therefore it is no wonder that a man will be rewarded in his career for his skill in political negotiations rather than his ability to run an agency.

3. The entire system of controls is not working. Parliament intervenes in programs which are almost always aged or destined to remain on paper, but it never estimates the final balance. Despite the activism of its recent heads, the ministry of state participation in reality exercises powers of direction and control which only duplicate those of other organisms: the Ministry of Industry over the policies of its sector, the Treasury over bonds issues, and the Audit Office.

4. The IRI directors' theories, which have dominated the debate on the reformation of public works agencies, are now out of favor. In IRI's view, the antidote for the vertiginous escalation of its losses is twofold: acknowledging the abusive burdens borne by the agency for social reasons and recapitalization of the IRI group to cover one-third of its financial needs by due means. While abusive burdens are prevalent among all big and medium government agencies, IRI fails to see why it should have to be compensated beyond its budget, thus consolidating a loss situation which it must somehow rectify. As for recapitalization, even among the parties in the government there is a growing demand that public financing be allotted to projects specifically aiming for reform and development, not only to improve an agency's financial status.

5. To keep afloat, Italy's public works agencies will require enormous resources in the coming years. But the financial cover will be extremely tight, necessitating a scrupulous choice of sectors. It is hard to see how Pietro Sette, president of IRI, can keep his promise to reform his group without dismissals unless he finds a way to attract numerous private investments requiring conspicuous financial endowments to private buyers. Nor like ENI, which also has wider margins of self-financing, can it reconcile the huge investments in energy essential to the country with the expectation, shared by its directors, of losing 5,000 billion lire annually for many years in the chemical sector.

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COUNTRY SECTION

ITALY

LACK OF FUNDS TO IMPLEMENT INDUSTRIAL RECONVERSION LAW

Law for Reconversion

Milan IL MONDO in Italian 7 Nov 80 pp 90-91

[Article by Davide Paolini: "Reconvert That Law"]

[Text] After years of waiting, the mechanisms of Law 675 for reconversion have been activated, but without capital. Some want an entirely new law...

"Anyway, it is moving," they say with satisfaction at the Ministry of Industry. What is moving is not the sun but 675, the law passed in August 1977 for reconversion and industrial restructuring, which has not yet dispensed a single lire to any industrial enterprise.

"In any event," declares Vittorio Barattieri, director general of industrial production, "in less than a year we have managed to set all the bureaucratic mechanisms into motion and sign the financial convention with the banks. So far we have examined some 20 applications from industrial firms and three requests, already in the final phase, are waiting to receive funds."

Actually, the only firm to meet all the requirements of the law is a medium sized textile mill in Bergamo, the Manifattura Valle Brembana, with 600 employees and a turnover of 33 billion lire. Yet the Manifattura Valle Brembana has received no funds. "After studying the measure for 2 months," explains Attanasio Farini, financial director of the company, "in July 1979 we applied for funds to finance new investments. After 4 months our application was examined by IMI, then sent on to CIPI. The final step, the decree of the ministry of industry, was taken in August 1980. The contract with IMI, the agency that should advance the funds, was signed on 20 October. Now we are waiting for 8,9 billion lire (4,4 billion in special credits). The first half should arrive in November, the rest in February or March of 1981."

The other 2 applications already approved by CIPI (and awaiting a contract, with the special credit agencies which have signed the convention with the ministry of industry) were submitted by Benetton of Treviso and Cepi and Legler, a Calabrian textile mill. As soon as CIPI reconvenes (its work was interrupted by the fall of the government), it should approve the most important and far-reaching projects: to restructure Italsider's three plants in Taranto, Genoa and Bagnoli, and the steel mills in Piombino, while funds destined for the Finsider iron works will amount to some 1,000 billion lire.

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"As of today," says Barattieri, "the financial commitments under 675 total about 1,450 billion." But with the appropriations available today, will 675 be able to meet the industries' demands?

According to a CIPI report published in mid-April, the funds now earmarked for restructuring and reconversion total about 1,600 billion lire (out of the original 2,600 billion for the 4 years from 1977 to 1980; the amounts designated for 1978 and 1979 have been cut from the budget since the funds were not spent). Of these 1,600 billion, CIPI requires 50 percent to be reserved for middle and small industries. Thus, the decision to finance Italsider's huge investment, the investment in the Pionbino steel mills and restructuring of Montedison, a project now under study, counters this regulation. Some of the 675 funds will be earmarked for big industrial complexes and industries with public participation, contradicting the terms of the law, which has an ad hoc fund for public corporations.

The lack of available money to finance reconversion and restructuring projects is not the only problem the Forlani government will have to face. For one thing, 675 will expire in October 1981; before that date, the government must decide whether to reform the law or come up with a new measure. "It would be appropriate," says Barattieri, "to concede a technical extension for 6 or 12 months before creating a void. We are taking care not to throw the baby out with the bath water."

"The 675 law is basically flawed," say Confindustria officials. "It has sacrificed clarity. Since the prospects are somewhat gloomy, the time has come to review not only this law but all special credits."

Apart from 675, 2 other measures providing for special credits--presidential decree no 902, which disciplines special credits in the industrial sector, and the Merli law 650 to facilitate the installation of depuration plants--are not yet completely operational.

But even if the bureaucratic obstacles inherent in the laws are overcome in time, another gross problem is likely to arise: the difficulty of obtaining medium term financing (whether by special credits or not) from the special credit agencies.

"Yes, it is true. Finally the mechanisms of 675 and 902 have been unblocked," says Giuliano Graziosi, deputy director of IMI, "But the industries are worried that if the special credit agencies cannot find the money, nothing will move. In view of the predicament that IMI, ICIPU and other special credit institutions have been in for some time, unfortunately the problem of finding the necessary funds in the market, whether on special credit terms or not, is becoming more and more difficult."

In fact, the failure of the decree authorizing the issuance of tax exempt medium term bonds (putting these securities on the same level as the Bot and Cct issued by the state), plus the unrealized Pandolfi project, which foresaw a 1,200 billion allotment to IMI (and 300 to ICIPU) have worsened the plight of the special credit agencies. The only resources today amount to some 3,000 billion in bonds issued by these institutions during the short periods the decree was in force, but this answers only 50 percent of the industries' demands for financing.

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25 in the lineup for 675

(which industries have applied for aid under the law, and at what point their applications stand)

Manifattura Valle Brembana
Benetton
Gepi & Legler
Montedison
Cartiere Antonio Sterzi

approved
approved by CIPI
approved by CIPI
under study
returned to agency for
analysis of relations
between borrowed capital
and financing

Rodacciai
Niggler & Kupfer
FIMA

suspended
under study by CIPI
rejected because recourse
to leasing is foreseen

Italsider - Taranto plant
- Genoa Cornigliano plant
Sayerlack - Ind. Vernici speciali
King's prosciutti Muraro Spa
Acciaierie de Piombino
Tessitura di Paesana
Inditex
Legler Industria tessile
Addafile
Italsider, Bagnoli
Filatura e tessitura de Tollegno
Grignasco Garda

under study by CIPI
under study by CIPI
under study

Acciaierie Falck
Fabbriche sciallerie Nembri
L. Bosca e figli
Italrena
Arvedi

returned to agency
under study by CIPI
under study by CIPI
under study by CIPI
under study by CIPI
under study by CIPI
under study by CIPI
under study by CIPI
under study by 675
committee

received 8/19
withdrawn
received 10/1/1980
under study by CIPI
under study

Insist on Leasing

Milan IL MONDO in Italian 7 Nov 80 p 91

[Interview with Nerio Nesi]

[Text] The special credit agencies' difficulties in furnishing funds threatens to block the issuance of credits (whether special or not) to industrial firms. What are the prospects in the coming months? What solutions could be found? IL MONDO put these questions to Nerio Nesi, president of the Banca Nazionale del Lavoro, which controls one of the most important sections to deal with credits for plants and equipment.

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Question: The special credit laws (675, 902, 650) are now operative. Would you say that after years of waiting, industries will find themselves confronting the special credit agencies' problems in providing financing?

Answer: Special credits conceded to industrial firms are not sufficient by themselves; industry cannot live only on credits to invest, it also needs short term credits to function. This is why you have the dyscrasis in the south, where massive special credit financing coexists with the higher than average cost of borrowing money. My experience leads me to believe that the same factors hindering special credits in the past years will persist. In fact, they will increase.

Question: Why?

Answer: There is a problem financing these laws. Actually, their provisions exist only on paper. They lack adequate cover--therefore they are inoperative--or else the application process is so complicated that they render them inoperative.

I refer, for example, to 675 and to what is happening to special credit leasing in the south. By its very nature, leasing is a fast method, but if a whole chain of bureaucratic procedures is imposed to comply with it, then it will be stripped of all its efficiency.

Question: Today the difficulties are not confined to special credits but extend to all industrial credits. To resolve the problem, Giovanni Guidi, administrator delegate of the Banco di Roma, has proposed increasing the regular banks' medium term commitments. Do you agree?

Answer: Guidi's proposal is a serious one because what we have in reality is a pretense of medium and short term credits; that is, the traditional distinction is altogether abstract today. Therefore his proposal is valid. But some things puzzle me. I believe that the administration of credit should reaffirm the distinction between capital for investment and capital for management, and therefore we must insist on new methods, like leasing.

Question: Are you saying, then, that it is essential to find new solutions whereby the special credit agencies can help industry with financing?

Answer: The decisional capacity of the medium term agencies is largely conditioned by the regular credit banks because, having no branch offices, they must pass their financing through the ordinary credit agencies. We must return to specialization in the field of banking.

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COUNTRY SECTION

ITALY

FEDERMECCANICA STUDY ON FUTURE OF LONGEVITY PAY

Milan IL SOLE-24 ORE in Italian 1 Nov 80 p 8

[Article: "What Is the Future of the Longevity Allowance?"

[Text] A synthesis of the Federmeccanica [Metal Workers] study on the prospects of the practice since the 1977 "deindexing."

After the decision of the Constitutional Court, which declared that it is not unlawful to exclude from the sliding scale the longevity allowance that was established by law 91/1977, polemics on the fate of the practice have not ceased. The Federmeccanica recently concluded a study in this connection. Walter Olivieri, vice president of the association and director of the "economy and labor problems" line, notes that in this connection the objectives of the study are to make three types of ascertainties:

- 1) Whether the practice in fact tends to lose economic import, in the presence of high inflation;
- 2) Whether, in actual terms, with reference to the monetary values in effect at the time of "sterilization," said tendency increases;
- 3) Whether it is presumable that relative imbalances among recipients with incomes of varying levels, that is, the fact that lower wages have experienced a proportionately higher "cut," tend to worsen with time. The latter point refers to some prospective perplexities manifested by the Constitutional Court.

The Federmeccanica proceeded to make a cautious examination, on the basis of pessimistic hypotheses regarding inflation (20 percent a year for 10 years) and a limited increase in nominal wages, one or two points with respect to the rate of inflation or equal to it. The results show that after a first stage of rather rapid reduction in retirement values, they tend to become stabilized, and in the long run, to improve.

We publish below a synthesis of the Federmeccanica study.

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Table I

a) **OPERAI** b) Dal 1981 - Ipotesi: incremento reale annuo della retribuzione lorda 1,7% (dic/dic)

c) ANNI - DICEMBRE	1976	1980 (*)	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1995	2000
d) Indice costo vita (dic/dic)	108,5	201,8	242,2	290,6	348,7	416,4	502,1	602,6	723,1	867,7	1041,2	1249,5	3109,1	7736,6
Variazione %	(21,8)	(30,8)	20	20	20	20	20	20	20	20	20	20	20	20
e) 1) Aumento retributivo per scala mobile	41	91	124	148	177	213	256	308	368	442	530	635	1581	3942
f) 2) Aumento per altre voci	35	51	33	43	56	71	91	116	148	188	239	303	954	2909
g) 3) Retribuzione globale mensile a dicembre (*)	344	712	869	1060	1293	1577	1924	2348	2864	3494	4263	5201	14057	37991
h) 4) Retribuzione ai fini dell'indennità di anzianità (**)	344	449	482	525	581	652	743	859	1007	1195	1434	1737	4913	14707
i) Rapporto retribuzione ai fini dell'indennità di anz./retribuzione globale (4:3)	1	0,63	0,5546	0,4952	0,4493	0,4134	0,3861	0,3658	0,3516	0,3420	0,3364	0,334	0,3495	0,3871

j) N.B. - Migliaia di lire, arrotondate a L. 1.000; (*) compresi ratei 13.a e premi; (**) depurata dalla contingenza maturata dall'1.2.1977; (*) stima.

Table I

- a) **WORKERS**
- b) From 1981--Hypothesis: actual annual 1.7 percent increase in gross remuneration, Dec. to Dec.
- c) YEARS--December 1976-1980 (°)
- d) Cost of living index (Dec. to Dec.) percentage of variation
- e) 1) Retributive sliding scale increase
- f) 2) Increase for other items
- g) 3) Monthly overall remuneration in December (*)
- h) 4) Remuneration for longevity allowance purposes (**)
- i) 5) Remuneration ratio for longevity allowance/overall remuneration purposes (4:3)
- j) NB: Thousands of lire, rounded to 1,000L; (*) Including 13a adjustments and allowances; (**) Excluded from the contingency that matured 1/2/1977; (°) Estimate

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Table II

a)	IMPIEGATI	b)	Dal 1981 - Ipotesi: incremento reale annuo della retribuzione lorda - 0.85% (dic./dic.)												
c)	ANNI - DICEMBRE	1976	1980 (*)	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1995	2000
d)	Indice costo vita (dic./dic.)	108,5	201,8	242,2	290,6	348,7	418,4	502,1	602,6	723,1	867,7	1041,2	1249,5	3109,1	7736,6
	Variazione %	(21,8)	(20,8)	20	20	20	20	20	20	20	20	20	20	20	20
e)	1) Aumento retrib. per scala mobile	41	91	124	148	177	213	256	308	368	442	530	635	1581	3942
f)	2) Aum. per altre voci	42	71	70	87	108	131	160	196	242	295	363	445	1221	3324
	3) Retribuzione glob. mens. a dicembre (*)	481	925	1119	1354	1639	1983	2399	2903	3513	4250	5143	6223	16141	41865
g)	4) Retribuzione ai fini dell'ind. di anz. (**)	481	662	732	819	927	1058	1218	1414	1656	1951	2314	2759	6997	18581
i)	Rapporto retr. ai fini dell'ind. di anz./retr. globale (4 : 3)	1	0,72	0,6541	0,6048	0,5655	0,5335	0,5077	0,4870	0,4713	0,4590	0,4499	0,4433	0,4334	0,4438
j)	N.B. - Migliaia di lire, arrotondate a L. 1.000; (*) compresi ratei 13a e premi; (**) depurata dalla contingenza maturata dall'1-2-1977; (*) stima.														

Table II

- a) EMPLOYEES
- b) From 1981--Hypothesis: actual annual 0.85 percent increase in gross remuneration, Dec. to Dec.
- c) YEARS--December 1976-1980 (°)
- d) Cost of living index (Dec. to Dec.) percentage of variation
- e) 1) Retributive sliding scale increase
- f) 2) Increase for other items
- g) 3) Monthly overall remuneration in December (*)
- h) 4) Remuneration for longevity allowance purposes (**)
- i) Remuneration ratio for longevity allowance/overall remuneration purposes 4:3)
- j) NB: Thousands of lire, rounded to 1,000L; (*) Including 13a adjustments and allowances; (**) Excluded from the contingency that matured 1/2/1977; (°) Estimate

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Economic Significance Will Increase In the Intermediate-Long Term Period

Evolution of the Practice After "Deindexing"

Before 1 February 1977, each unit of longevity time adjustment (hour, month) was computed on the basis of all continuative type compensation, that is, on the basis of a ratio of 1 with respect to the last actual payment.

Not including the computation of amounts of the sliding scale that matured after that date, the ratio between remuneration for retirement purposes and overall remuneration (hereafter indicated as the "R" ratio) is less than one. This trend, independently of the normalizing differences of the qualifications still in effect, records the degree of organization during the period of the practice.

Since the amount that is not included in the calculation is the same in all cases (since 1/2/1977 the value of the contingency point has been standardized), it follows that the ratio between wages that are eligible for an allowance and overall wages tends to deteriorate to the disadvantage of the lower wages. At the end of 1977, the ratio calculated on the average monthly wage of the metal workers (567,000 lire) went from 1 to 0.90, resulting in a 10 percent reduction of the previous pay. On the same date, the ratio for workers (412,000 lire) decreased to 0.86.

Assuming that the contingency amounts to be discounted accumulate in time, it follows that the trend of the ratio is a function not only of the remunerative level at departure time, but of the "sliding scale" variables and "other (continuative) remunerative items." Since the existence of the contingency depends on the cost of living trend, it is concluded that after all the evolution of the "actual" wages is what will determine the future guideline of the "R" ratio, that is, it will determine the standard for the reorganization of the above mentioned pension payment.

Therefore, in assembling elements for a long-term examination, we first of all assumed some hypotheses--precautionary or realistic--concerning "actual" wages.

Before explaining the results, it is useful to observe the trend of the components of the average payments (each situation obviously being an individual case) of workers and of employees in the 1976-1980 period.

The ratio decreases somewhat rapidly, in accordance with the intent of the social parties and of the legislator. (The social parties did not propose only a reorganization of the practice, predetermining its existence--as they could have by reportioning the temporal component--but intended to evade the multiplier consequences of the sliding scale on the dynamics of the cost of labor, by conceiving the system of indexing as an automatic adjustment of only the base pay, with the labor union almost prefiguring a sort of minimum and uniform "social wage").

It is now a question of ascertaining whether or not the final results in the long run will justify the above mentioned fears and radical statements.

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In the 20-year projections that have been elaborated, in the face of a constant annual 20 percent inflation, we assume an actual payment trend as follows: workers, +1.7 percent a year; employees, +0.85 percent; or an "actual invariance."

With respect to workers, the increase is somewhat below the average of past years and that increases the significance of an examination: on the other hand, it was not possible to assume a still more limited hypothesis, given the almost inelasticity downward of actual wages, where present automatic and negotiable mechanisms remain unchanged. It is in fact observed how in 1990 wage increases, year after year, would amount to about 300,000 lire a month, an analogous figure, in actual terms, to that of the 1979-1980 2-year period, in spite of a certain lessening of the degree of covering from the sliding scale in the intervening interval.

It goes without saying that the "R" ratio would improve in the case of an actual greater increase. But, in the presence of an annual +1.7 percentage and in spite of its being coupled in a 10-year period with a cost of living that has increased more than 6 times, we find that in 1990 the practice will not be at all extinct, even if the allowance is equivalent to only a third of what would be calculated on the basis of the 1976 standard: the "R" ratio in fact is equal to 0.33.

In the course of time, after having reached a minimum value in 1991, the ratio however tends to rise again: in fact, the table in this connection shows that in 1995 the value = 0.35 and becomes 0.39 in 2000.

This observation is very important, because it is not a question of a chance phenomenon, but of a constant that is repeated in each case, resulting in its becoming more or less displaced in time, according to the levels of the initial wages and of the rates of variation in the actual payments that were made.

In the projection concerning employees, that assumes an actual increase of 0.85 percent. The minimum point will be reached in 1994 (with an "R" ratio equal to 0.43, compared with 0.44 in 1990), and will then go up again.

In the case of an "actual invariance," as is easily understandable the minimum point is displaced to a much sooner time, given the absolute prevalence of the sliding scale in comparison with other payment components. However, in 1990 the ratio will be 0.40.

In conclusion, by now the mechanisms that interact and determine the degree of reorganization of the allowance will be clear. The initial decline will progressively decelerate until, in the intermediate-long term period, it inverts the trend of the rate of increase in actual wages. Which, "rebus sic stantibus," (in the sliding scale mechanisms and unchanged negotiables), presents considerable rigidity downward, not being susceptible of being significantly compressed below our hypothesis.

The result is that in these conditions, too, the longevity allowance practice will maintain a substantial economic significance for some time.

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Variance In Actual Terms of the Value of the Allowance After "Sterilization"

Relating the future monetary values of the allowance in each year to the completely indexed 1976 values, it is noted that percentage wise, save for special exceptions, they are always higher--more or less significantly--that the "R" ratio in effect during the year in question.

An empirical verification induces one to exclude that the monetary "cut" in actual terms is higher than deducible from the trend of the "R" ratio. Instead, the opposite occurs.

In the hypothesis that has been examined regarding the preceding point, the worker who in 1976 had a monthly allowance payment of 344,000 lire, in 1990 would see that the computation of his allowance would amount to 1,737,000 lire, equal in actual terms to 44 percent of the preceding figure, in the face of an "R" ratio that in the meantime went from 1 to 0.33.

Proportionate 'Sacrifice' of Recipients With Different Level Incomes and the Possibility of Future Imbalances

While the Constitutional Court rejected the exception of unconstitutionality of law 91/1977, it nevertheless made it possible to glimpse the possibility of changing its orientation in the future, if more serious imbalances are brought about. The reasoning of the Court in fact is that, granted that for the moment the consequences for workers are not such as to involve a violation of constitutional principles, that could occur in the future, "also in relation to the various consequences that could occur with respect to workers, penalizing those who receive lower wages."

Well, no worsening of the situation, from this point of view, can occur in the future. It has been seen how, in an initial stage, corresponding to the first years of the reform, when the reorganization is rather rapid and more emphatically so with respect to lower wages, a progressive deceleration follows. That means that, while the "pincers" continue to widen the very limited spheres between the "R" ratio of workers and employees (more generally, of recipients of various level payments), the difference in the "rapidity of decrease" becomes progressively less in the 3-year 1977-1979 period, and therefore the Court did not recognize grounds for unconstitutionality.

On the other hand, when the ratio reaches the minimum value in the above mentioned examples, it occurs earlier in favor of workers (or in the case of lower retributive positions), whose "speed upward again" from that moment tends to be higher, compensating for what occurred before.

Finally, it will be useful to remember that in recent years lower wages have increased proportionately more than higher wages. Quite probably, "rebus sic stantibus," that will occur also in the future. While the Court did not specify a formal guideline for the retributive or otherwise nature of the longevity allowance, one must emphasize that in fact, along with a greater sacrifice in that area of remuneration that is usually defined as "deferred," more consistent percentage increases in favor of lower positions are needed in the area of "direct" remuneration, that is, in the area of the purchasing power of employed workers.

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COUNTRY SECTION

ITALY

PLANS, OBJECTIVES FOR STATE RAILWAY SYSTEM

Milan IL SOLE-24 ORE in Italian 8 Nov 80 p 14

[Text] The programing of investments within the context of the general objectives of political action in the transportation sector may be summarized as follows:

1. To concentrate public effort on the type of transportation best suited to specific purposes, even intervening in the form of administrative improvements where greater efficiency may be obtained.
2. To centralize intermodal options to a maximum degree.
3. To confirm the criterion of integration among various types of transportation.
4. To make options and the period of their implementation concurrent.
5. To promote the recovery of productivity and energy saving.

In this connection, the "integrative program for the reclassification, strengthening and modernization of the railway lines, rails and equipment," for which a bill authorizing financing in the amount of 12.25 trillion lire is now being considered in parliament, represents an important opportunity for state intervention, particularly in the area of infrastructures.

The program did not really get off to a good start. In fact, as early as December 1976, in fulfillment of the provisions of Law No 377 of 1974, the FS [Italian State Railways] had sent parliament a bill for a multiannual development plan aimed essentially at strengthening the load-bearing structures of the primary system based on a foreseeable increase in transportation demand on the horizon of the 1990's.

This exclusively operational criterion, which did not provide for any intervention for lines with little traffic and did not take other "external" requirements of the organization into consideration, was modified by the Parliamentary Transportation Committee which, with one of its resolutions (even ratified by government officials), established some new directives and guidelines.

In its present form the integrative program provides for 12.25 trillion lire for the 1980-1985 period, divided as follows:

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1. Refinancing of projects already begun and not completed taking the decreased value of the currency into consideration: 1.835 trillion.
2. Reclassification, strengthening and modernization of the lines and equipment, the purchase or construction of housing for the personnel and professional training: 4.5 trillion.
3. Completion of the quadrupling of the Rome-Florence express line including revised costs: 3.5 billion.
4. Protection of the railway center in areas subject to hydrogeological damage: 2.0 trillion.
5. Ferryboats: 150 billion.
6. Rolling stock: 3.5 trillion.

With particular reference to the sum allocated to the reclassification, strengthening and modernization of the lines and equipment, the organization plans to pursue certain specific objectives--namely:

1. Take steps over the medium term to resolve the most urgent problems of this fiscal period (the conveyance of goods, commuter traffic, better control over the routing of trains and increased productivity) even for lines now seldom used.
2. Acquire new traffic routes.
3. Relieve the congestion of main routes (lines and junctions) by seeking alternate routes.
4. Provide greater uniformity with regard to some of the systems coming in from the Apennines and other supplementary and secondary systems with particular emphasis on those of southern and insular Italy.

The benefits to be derived from the preceding are essentially as follows:

1. An increase in the annual carrying capacity, particularly of goods and commuter traffic.
2. The resultant saving in energy due to better use of railway transportation.
3. An appreciable improvement in the quality of the service in the goods and commuter traffic sectors through gradual improvement in the routing of the trains with obvious economical benefits brought about by fewer delays in the movement of the goods being transported directly affecting the capital value of those goods, the financial means being employed and the personnel used by the organization.
4. An increase in the company's productivity due to provisions for automation and mechanization in various sectors as well as the adoption of measures aimed at increasing the operational and expenditure capability.

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The rate of economic development and a simultaneous intensification in the phenomena of the concentration of people in the cities and increased movement of people and goods have resulted in all industrialized countries, but particularly in ours, in an untenable divergence between the volume of traffic and the level of the service. A deterioration in the cooperation among the carriers, too great a spread in available funds and a diminished role played by the railroads are the principal factors which led to the system's decline. In view of this unfavorable situation, everyone now agrees on the need for state intervention.

This intervention should be selective but at the same time broad in scope, that is, open to the major areas so often discussed: giving the carriers adequate responsibility (thus making the railroads self-governing); cooperation among various types of transportation; choice of the best type of transportation for a given place and time; updating and developing the infrastructures which, except for the superhighways, have remained in an extremely backward condition, both physically and technologically.

The discussion may be of value not only to the FS system but also to that of licensed railways, ports, airports and subways.

Moreover, the creation of major communication arteries and the strengthening of those already in existence are aimed not only at improving the transportation function but also at providing great benefit of a social and economic nature.

For these reasons and aside from the substantial funds involved, the state cannot remain aloof. We have thus begun to confront the complex problems of the sector in an organized and coordinated manner and have come up with certain significant initiatives. Since the government's approval of the "Reference Chart" (1976), the basic long-term objective has been the "General Transportation Plan." In preparation of that plan and in light of certain guidelines which were given at the National Transportation Conference (1978), seven "finalized projects" have been prepared constituting the framework of the plan and concerned respectively with the following: the disposition of metropolitan areas: the overall development of goods traffic; a reorganization of company administrations; applied scientific research; the development and revamping of coastal services; the involvement of depressed areas of the Italian transportation system in the international transportation system.

It is a rather broad project even when considered as a vast strategic plan, but one which is only in the planning stage for the most part. And it is a plan in which the railroads are taking on an increasingly important role. In this connection, provisions have already been made in the various headquarters to draw up and study a vast plan for organizational interventions: the so-called "Integrative Program." Meanwhile, the company is rapidly terminating the implementation of the plans still in effect.

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Integrative Program

Provisions per Region
(amount--millions of lire)

Piedmont	367,670	Latium	319,400
Val d'Aosta	8,300	Abruzzi	124,170
Lombardy	409,310	Molise	100,000
Trentino-Alto Adige	58,300	Campania	565,970
Veneto	226,340	Apulia	332,420
Friuli-Venezia Giulia	131,930	Basilicata	93,880
Liguria	230,990	Calabria	200,810
Emilia-Romagna	133,375	Sicily	571,180
Tuscany	319,540	Sardinia	200,340
Umbria	124,810		
Marches	140,050	Total--Regions	4,658,785

Provisions of General Interest

Rome-Florence quadrupling	315,000
New Ferrandina-Matera line	150,000
Staff allocations (technical interventions)	1,129,360
Reserves	96,855
Ferryboats	150,000
Map (hydrogeological protection)	2,000,000
Rolling stock	3,500,000
FS personnel housing	250,000

Subtotal (Total--Regions)	4,658,785
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General Total	12,250,000
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