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(FOUO 67/81)



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WEST EUROPE REPORT

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ENERGY ECONOMICS

ELECTRIC ENERGY: RATES AND DEMAND REGULATION

Milan ENERGIA ELETTRICA: TARIFFE E CONTROLLO DELLA DOMANDA in Italian 81 pp 92-133

[Article by Pippo Ranci and Gianni Cozzi, with the cooperation of M. Berra, P. Berra, G. Oggionni, and G. Panati, preface by Sergio Vacca: "Electric Power Rates and Demand Regulation"]

[Text] 4. Considerations on Electric Power Rate System in Italy

4.1. Brief Review of Italian Rate Schedule Development

From the first decades of the 20th century, power rates were under government control but were set by the various electric power companies on the basis of each company's production and distribution costs; rates also differed considerably from one region to the next.

The Decree-Law of 5 October 1936 froze utility rates; this helped consolidate the rather heterogeneous rate schedule situation which had been developing on Italian territory in relation to the diverse cost structures presented by the various electric power generation and distribution companies operating at that time.

The rate freeze, which was extended afterward, was followed in 1941 by the stoppage of supply contracts. The rate deadlock continued until 1944 when the CIP (Inter-ministerial Price Committee), established during that year, in the light of the continuing process of money devaluation fomented by the war economy, authorized an increase of 15 percent and 30 percent of prewar rates, respectively, for light and power.

The rate revisions in 1945, 1946, 1947, and 1948 progressively raised electric energy sales prices whose level, figures on the basis of 1942, through CIP directive No 101, dated 11 August 1948, reached the "figure of 24."

Table 1 summarizes the increases approved by the CIP during the period of 1944-1948, in the base rates applied in 1942 for supplying light and moving power.

CIP Directive No 348, dated 20 January 1953, launched a process of rate standardization which ended in 1961 with Directive No 941. As of 1 January 1953, as a matter of fact, utility rates for users with a power of up to 30 kw had to follow the rate schedule spelled out in Directive No 348.

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Table 1. Increase in Electric Power Rates Authorized by CIP during the Period of 1944-1948

Anno 1	2 Percentuali di Aumento (base 1942)		3 Livello (1942 = 1)
	4 Illuminaz.	5 Forza motr.	
1944	15	30	1,15-1,30
1945	225	290	3,25-3,90
1946	400	400	5
	600	600	7
1947	1.300	1.300	14
1948	2.300	2.300	24

Key: 1--Year; 2--Increased percentages (1942 base year); 3--Level; 4--Light; 5--Power.

In particular, while public light rates were confirmed by the provisions of Directive No 101, dated 11 August 1948, rates for private lighting, for use with electric household appliances, and for power up to 30 kw, experienced changes which, depending upon the case involved, brought reductions or increases in sales prices which had been in effect until then.

A "maximum" of 42 L/kwh [lire per kilowatt-hour] was provided for private lighting and prices higher than that level had to be lowered; prices on a lower level remained unchanged.

For uses different from illumination (electric household appliances and power) a "minimum" and a "maximum" rate was introduced, respectively, to the extent of 67 percent and 133 percent of the rate schedule prices provided for in Directive No 348 whose implementation was allowed provided its adoption did not involve, for the individual user, an increase of more 30 percent of the rate cost borne until then¹.

Directive No 348 did not standardize the rates for units with a committed power of more than 300 kw; their regulation continued to be based on the provisions of Directive 101, dated 11 August 1948, and No 5, dated 30 August 1946; however, a surcharge on energy was provided for the latter users as well as for private lighting with a corresponding unit cost of less than 26.50 L/kwh; this surcharge was intended to finance the electric power rate balance fund instituted in this directive itself for the purpose of providing an incentive through a mechanism based on the redistribution, to the electric power companies, of the surcharges collected so as to develop investments in new plants.

General contributions as a matter of fact were established on energy effectively produced by plants which went into operation after 1 January 1949, so as to line up with the electric power companies through the Balance Fund, after 1 February 1953. The idea was to close the gap existing between the cost of energy produced in the new plants and the sales proceeds realized under the rate schedule freeze.

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The Balancing Fund, which took over the previously existing "thermoelectric surcharge Balancing Fund," thus taking over its institutional tasks², furthermore, according to the provisions of Directive No 348, was to permit appropriations to compensate for the reduced earnings of electric power companies deriving from the implementation of the standardized rate schedules and the reduction of private lighting rates following the introduction of the "maximum rate."

The initial surcharge increments were progressively increased between 1953 and 1956, through directives No 413 of March 1954 and No 507 of August 1966, while they were partly included in the price of energy through Directive No 620, dated 28 December 1956.

After 1 January 1957, permission was given for adding, to the rates frozen in 1942 and raised by a maximum of 2.300 percent, a surcharge increment established in CIP directives No 348, No 413, and No 507³.

The reduction in the amount of the general contribution on energy from new production plants--which was obviously accompanied by the inclusion, in sales prices, of the surcharge increments--however did not restore the endemic deficit of the Balance Fund which at the end of 1959 came to 13 billion lire.

Directive No 620 furthermore established a series of rates constituting the upper and lower limits of the spread allowed for rates applied to power units with a committed power of between 30 and 500 kw; this was another step toward the complete standardization of rates and conditions of light and power supply which, as we know, was implemented through Directive No 941 and its successive provisions.

CIP Directive No 941, dated 29 August 1961, and the related directives No 949, dated 11 November 1961, and No 1000, dated 25 May 1962, were the first steps taken in the standardization field during postwar years in an effort to tackle the problem of electric energy rate determination in all of its aspects.

The above-mentioned directives were not only aimed at providing a final system setup in the minds of the officials responsible for electric energy policy; they were also supposed to constitute the initial phase of a progressive process of restructuring the entire electric energy rate system, based on rational evaluations of the ratio between cost and price.

As a technical foundation for the evaluations connected with the definition of sales prices contemplated in Directive No 941, officials took the consolidated balance sheet from a sampling of 45 private electric companies and 11 municipal companies, whose contribution to national electric energy generation in 1959--the year of the balance sheet--was figured at 83.26 percent.

Sales prices, standardized by Directive No 941, were so established as to determine, on the basis of equal energy sold, a yield volume equal to the earnings derived in 1959 for the group of companies considered from sales of energy and contributions from the Balance Fund. The latter item was included among the commensurate yields based on the rate schedule level while, as of 1 September 1961, the Balance Fund was eliminated so that, consequently, along with the surcharges on energy sold, an end was also put to the general contributions on energy from new production plants, granted to the electric power companies.

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To compensate the electric power companies that might have suffered losses as a result of the forced introduction of the standard rate schedules, the "electric rate schedule standardization compensation fund" was established on that date with authority to draw appropriations from sales of energy reserved for them on the basis of increments included in the prices.

The lineup of rate schedules in force as of 31 August 1961 with the standardized levels--which in some cases was done with a certain degree of gradual implementation built into the directive itself--led to the standardization of supply conditions as such and this was followed, through Directive No 949, by the standardization of utility connection contributions.

Directive No 1000 regulated the supply conditions to be applied to some special users; it marked the end of a series of directives intended to give the Italian rate schedule system the direction which it still pursues today, in spite of the many amendments introduced thereafter⁴.

A policy of holding electric energy rates down was launched with the nationalization of the electric power enterprises in December 1962.

As a matter of fact, starting in 1961 and until the beginning of the decade of the seventies, there were no rate increases, in spite of the growing deficit in the economic account of the electric power agency.

It must also be noted that, as a result of Decree-Law No 918, dated 30 August 1968, converted into Law No 1089, dated 25 October 1968, rates for industrial, commercial and agricultural uses of up to 30 kw were reduced by 25 percent up to 31 December 1970.

This reduction was then continued through Law No 853, dated 6 October 1971, until 31 December 1980 for areas under the Fund for the South Only.

Both the freeze on electric power rates and the legislative provisions which reduced electric energy sales prices to the degree indicated above in our opinion represent a manifestation of a rate policy which, in harmony with the new public role assigned to the electric power sector after nationalization, has become an instrument of economic policy.

In particular, the 25-percent reduction could initially have been interpreted as an economic measure aimed at reviving the economy, afterward transformed into an effort of a structural nature in support of the development of the South.

To compensate for the significant losses deriving from the application of the above-mentioned rate schedule reduction as far as the electric power companies were concerned⁵, CIP Directive No 1224 was then issued: it instituted a surcharge of 6 L/kwh on private lighting users residing in the communities of Rome, Turin, Milan, Naples, and Genoa; under the provisions of CIP Directive 941, these communities had until then gotten the benefit of a discount of 6 lire--6 for every kilowatt-hour consumed, as compared to the nation's electric energy users as a whole.

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A further change in the electric energy sales price setup came from CIP Directive No 17/1979 which raised the private lighting equivalents provided for in CIP Directive No 941 by 7 lire per kwh, in line with the abolition--followed by the adoption of the VAT--of the community tax on the consumption of electric energy varying from 10 to 15 L/kwh, depending upon the community involved. The electric energy price for such supplies consequently declined further.

The policy of substantial rate schedule stability was maintained until 1974, in spite of growing inflation during the seventies, the international petroleum price rise, and the subsequent speedup in the inflationary process--phenomena which caused components of electric energy costs to grow so as to make the economic and financial situation of ENEL [National Electric Power Agency] quite precarious (see Table 2)⁶.

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Table 2. Results of ENEL Operations (the Δ% shown in the Table Was Calculated between Year n and Year n 1)

Anno	Ricavi		3 Costi		9 Ammortamenti		4 Ammortamenti		5 di	
	10 ⁹ Lire	Δ %	10 ⁹ Lire	Δ %	10 ⁹ Lire	Δ %	10 ⁹ Lire	Δ %	10 ⁹ Lire	10 ⁹ Lire
1963	628		37		116		180		98	-
1964	716	+14,-	53	+43,2	121	+12,2	157	+3,9	143	+25,5
1965	768	+7,3	51	-3,8	148	+15,-	159	+6,4	135	+9,8
1966	835	+8,7	53	+23,5	172	+16,2	183	-8,-	137	+16,3
1967	909	+8,9	60	+27,-	187	+8,7	190	+3,8	141	+8,9
1968	990	+8,9	69	+23,8	202	+8,-	206	+8,4	146	+9,9
1969	1019	+6,-	68	+9,1	222	+9,9	208	+1,-	200	+6,4
1970	1166	+11,1	421	+25,9	249	+12,2	227	+9,1	215	+5,-
1971	1300	+11,5	485	+35,2	288	+15,7	234	+3,1	212	+12,3
1972	1422	+9,4	616	+27,-	321	+14,9	229	+1,-	222	+8,7
1973	1586	+11,5	680	+22,4	402	+12,7	250	+9,2	227	+5,3
1974	2045	+28,8	773	+174,8	494	+22,9	306	+22,4	214	+13,4
1975	2064	+30,4	961	+24,3	652	+32,-	426	+39,2	213	+9,2
1976	3249	+22,-	1118	+42,5	813	+24,7	491	+15,3	233	+11,7
1977	3293	+19,8	1387	+18,1	956	+17,8	569	+15,9	241	+10,7
1978	4777	+22,7	1538	+17,6	1041	+8,9	646	+13,5	251	+37,-

Key: 1--Year; 2--Yields; 3--Costs; 4--Amortization; 5--Operations results; 6--Personnel; 7--Fuels; 8--Financing; 9--Other costs.

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After 1973, a rate rise became evidently indispensable.

From 1974 onward, the level of electric energy rates--after 13 years of substantial stability--was raised progressively with a series of CIP directives, starting with No 34, dated 6 July 1974 and ending, as we go to press, with CIP Directive No 36/1979.

The gradual rise in prices introduced some standard modifications and a special price system into the rate schedule setup.

This pertains particularly to the following:

Standardization of rate schedule (and tax) treatment of "domestic" users of electric energy, which eliminated the distinction that was made between the quantity of energy used in homes for lighting purposes and other uses (CIP Directive No 34/1974);

Institution of heat surcharge (CIP Directive No 34/1974);

Creation of the so-called "social slice" which, for domestic users with an installed capacity of up to 3 kw, involved payment of reduced rate equivalents within a limit of 1,800 kwh, per year (CIP Directive No 1/1975);

Production of rate discounts for electric energy supplies to agricultural users and "moving power" users with an installed capacity of up to 30 kw (CIP Directive No 1/1975).

Abolition of some power steps provided for in the rate "pattern" established at the time in CIP Directive No 941 (CIP Directive No 34/1974);

Reduction of installed power level from 501 kw to 101 kw beyond which "night-time" rates and high-use rates become optional (CIP Directive No 11/1978);

Increase in contract-based value of power factor from 0.80 to 0.90 (CIP Directive No 11/1978);

Standardization of rates for electric energy used for illumination and other purposes in places other than homes (CIP Directive No 36/1979);

"Separation" of general rate schedules into rates for "normal use" and rates for "high use" (CIP Directive No 36/1979);

Increase in minimum and maximum values of "tolerance limit" and "maximum available power" (CIP Directive No 36/1979);

Etc.⁷

4.2. Some Aspects of Rate Schedule Structure and Standards Currently in Force

In the history of the Italian rate schedule system, briefly described above, we can thus identify three different periods of time, each of which reveals its own specific aspects.

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The first one, which extends from the postwar period until the beginning of the sixties, is characterized by a process of system development and consolidation of rate schedule structures which--following the issue of CIP directives No 941/1961, No 949/1961, and No 1.000/1962--led to standardization of electric power rates throughout national territory.

A second one, beginning in 1962 and ending in 1974, during which, in harmony with the public role assigned to the electric power sector following nationalization, we observe a policy of holding electric energy prices down for the sake of the general economic interest.

Between 1962 and 1974, as a matter of fact, we not only had no rate increases but, in spite of the growing deficit in the economic account of ENEL, we had, as we saw, even a reduction in electric energy sales prices, probably in an effort, in this way likewise, to support the revival of some sectors of the economy whose growth was slowed down by the development of the economic situation and the promotion of the south.

The third period, which started with the energy crisis, is characterized by the introduction, into the rate schedule system, of a series of modifications essentially aimed at the following:

- a. Correction of gaps created between the dynamics of cost and the development of yields, through a rise in the rate level;
- b. Modification in rate structure permitting more flexible handling of increases to be made in electric energy sales prices as a function of the rise in the cost of fuels derived from petroleum through the creation of the heat surcharge;
- c. Satisfaction of some segments in terms of social policy through the creation of the "social slice" and the institution of discounted heat surcharge increments;
- d. Containment of electric energy distribution costs; this objective was promoted for example by the standardization of rates for domestic uses and the increase in the contract value of the power factor.

The response to the progressive rise in international petroleum prices as a matter of fact, in terms of rates, was expressed by a series of steps substantially aimed at restoring the electric power agency's economic management balance. The problem of a radical revision of the entire rate schedule system--"considered to be easy" during earlier phases in the energy industry--was not yet posed, nor is it today considered as an effective instrument in implementing a demand policy in line with the demands of the country's current energy situation.

The following analysis therefore is designed to develop some critical considerations on the rate system in force through an examination of specific examples of standardization and rate provisions which can supply useful indications as to the advisability of going into a complete and organic revision of rates and standards governing the sale of electric energy at this time.

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Analyzing the provisions on standardization, we will in particular make reference to the following:

1. Rates confined to night-time hours;
2. Conditions governing the sale of electric energy to in-house producers;
3. Determination of estimated power connection fees.

The examples considered in the matter of rate schedule structures on the other hand will pertain to the following:

4. The "social slice" of domestic power supplies;
5. The heat surcharge "mechanism";
6. The "incentive" for the dissemination of electric heating.

4.2.1. Rates Confined to Night-Time Hours

Rates confined to night-time hours, introduced in the regulations governing the sale of electric energy through CIP Directive 941/1961, so far has been the only instrument for modulating the actual use of electric power covered by the rate standards.

As a matter of fact, the other modulation instrument, that is to say, the "interruptability clause"--constituting a "special agreement" between ENEL and the electric steel mills--does not show up in the CIP standards.

The significance of rates confined to night-time hours however turned out to be entirely negligible; here it suffices to realize that the number of industrial users actually employing this system is less than 30 units.

In our opinion, the low degree of dissemination deriving from rates in question essentially depends not only on the price level, which characterizes them, but also on the inadequacy of provisions in force which confine their application:

- a. To users which take electricity only during the hours between 2000 and 0600 of the next day between Monday and Friday, on Saturday between 1300 and 2400, and all the time on Sunday, up to 0600 of the following morning;
- b. And to the supply share consisting of the power increment taken during definite night-time hours which exceeds the "continuous" power supply in case this option is chosen by users who already have a "continuous" supply⁸.

We as a matter of fact note in this respect that, on the one hand, industrial users, whose production processes are such as to facilitate an electric power demand exclusively concentrated during night-time hours, are very rare; on the other hand, the mechanism for the distribution of power use during night-time hours, provided for users who get a continuous supply and a supply limited to night-time hours, together, does not substantially reduce the already scant "economic significance"

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of the night-time rate but in some cases makes it less convenient for the users of rates provided for the continuous use of electric energy supply.

This can be demonstrated with some examples.

Let us first of all consider the case of a user with an installed capacity of between 10 and 25 Mw, supplied with a voltage of more than 100 kv, with a monthly committed power use of between 150 and 350 hours, who can, as desired, take out electric energy either during "night-time" hours or during "day-time" hours. The discount on the average price of energy taken out of the grid, which the above-mentioned user would get if he were to opt for a supply of power limited to night-time hours (and who would thus concentrate his entire consumption during that period of time) as compared to power supply during day-time hours, on the basis of the rates specified in CIP Directive No 36/1979, would be about between 19 percent and 26 percent.

This figure, which is definitely modest compared to the average gap existing between day-time prices and night-time prices charged by European utilities in general⁹ evidences the fact that night-time rates charged in Italy are of rather little help to the user.

Even lower are the discounts for users who, in addition to their standard supply, use a supply volume regulated by rates confined to night-time hours.

This can be seen in Figure 1 where we have indicated the discounts on the average price for the total amount of energy which the user could get, with a voltage of more than 100 kv, an installed capacity of more than 10 Mw, and a power use between 400 and 600 hours per month; instead of using a single rate for high utilization, these users would ask for the application of the rate schedule confined to night-time hours for certain "slices" of the overall power use process.

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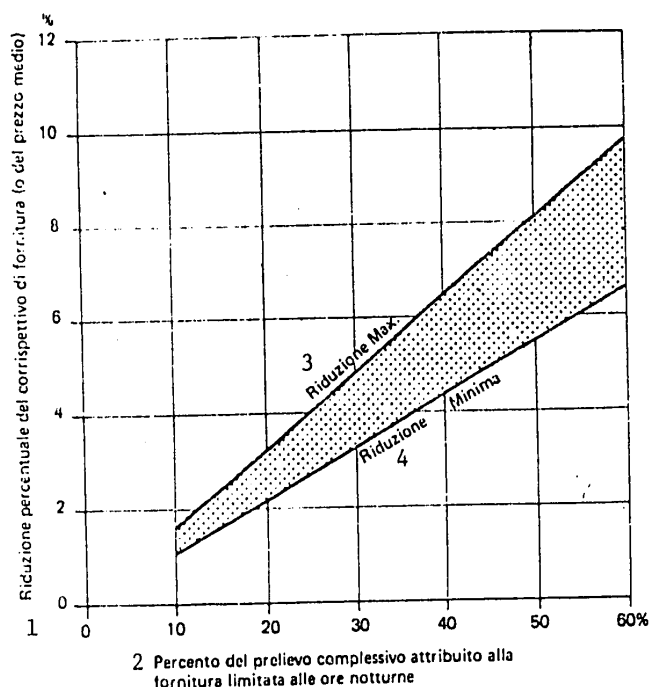


Figure 1. Note: the "percentage reduction" was calculated with reference to the rates given in CIP directives No 35 and No 36/1979. Key: 1--Percentage reduction of power supply equivalent (or average price); 2--Percentage of total power taken and charged on the basis of rates confined to night-time hours; 3--Maximum reduction; 4--Minimum reduction.

Finally, there are power supply use situations where the user's decision to reduce his power use during peak hours transferring a portion of the load to night-time hours, could even bring about an increase--rather than an obvious reduction--in the average price of the total volume of energy taken out.

This happens when the transfer of a portion of the load to night-time hours brings about a reduction in the figure of the committed power during day-time hours with the "passage" of that power into a rate schedule step which involves a unit equivalent of the higher kwh.

Let us, for example, examine an industrial user with 30 Mw of committed power and an annual power utilization volume of 6,000 hours and let us assume that the organization of this process can be structured so as to bring about the following two alternate situations:

- a. Power use during peak hours amounting to 21 Mw and 9 Mw during night-time hours;
- b. Power use of 30 Mw during peak hours.

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Applying the rates currently in force (CIP Directive No 36/1979), the average price of electric energy used as a whole turns out to be higher for case (a) than for case (b) (specifically, 35.82 L/kwh as against 35.46 L/kwh).

In conclusion we can therefore say that the current rates, limited to night-time hours, are not helpful in creating an economically significant incentive to promote concentration of electric power use during night-time hours--a concentration which, technically possible for many enterprises, should be the natural objective of night-time rates.

4.2.2. Conditions Governing Sale of Electric Energy to In-House Producers

As we know, the CIP provisions governing the sale of electric energy to in-house producers are confined to prescribing that the energy acquired from the latter must be governed by the general rate on the basis of the methods and with the exceptions provided for in the standards.

The inadequacy of such standards regarding the regulation of a relationship as complex as the relationship between the distributor and the in-house producer can be understood immediately if we consider the rather burdensome and expensive situations to which the rigid application of such standards can lead.

Let us consider the case in which the industrial user--who normally uses purchased electric energy and in-house-produced electric energy in his production process--is forced to take from the distributor's network, for a period of time of no more than 1/4 hour, the entire power which he needs, due to an accidental breakdown of his own power generating units. By virtue of the standards in force, the "added" power need would have to be regulated through a new supply contract lasting a year and with a committed power figure equal to the power taken out during the period of "failure" of the in-house power generating groups.

The cost of each kilowatt of added power taken out would consequently coincide with the annual equivalent of the committed power.

Thus, if in the case under examination, the power of the group which had "broken down" were to be equal to 1 Mw, and if the rate applied were the general rate for high use and power supply at 130 kv, then the amount which the user would have to pay to the distributor for the reserve service rendered during 1/4 hour of failure of his own group would come to about 44 million lire, equal to about 175,000 for kwh used up¹⁰.

Since we cannot fail to realize that an unexpected increase in the power demand would lead to higher costs to the supplier (and this would not be otherwise except for a greater reserve that would have to be set aside), then the burden deriving from the standard in question appears evident; this is especially so if we realize that, for the in-house producer, the need for supplementing or replacing his own electric power availability with purchased power emerges not only in connection with accidental events as indicated above but may also be of a system nature in connection with the need for maintaining his own power generating plants.

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It is clear as a matter of fact that--by virtue of the mechanism of the general rate --while the maintenance of in-house production plants cannot be performed during periods when the industrial production cycle is closed down, the user would have to commit (and pay to the distributor) a power value commensurate not with the unit of supply normally acquired but with the volume of power actually taken out during the period of time when his own power generating group was unavailable.

The burden which, in the cases given above by way of example, would spring from a line of action strictly in keeping with the provisions of the CIP standards, as well as the need for regulating these aspects of power supplies with in-house producers who are not covered by these standards, have persuaded ENEL on its own to draft regulations that make up for the shortcomings in the official regulations.

The electric power agency as a matter of fact for quite some time has been applying to its own in-house production users a commercial policy which not only calls for the substitution of the general rates with "ad-hoc" rates¹¹ in cases beyond accidental service and special maintenance of user's power generating equipment, but which also includes a series of equivalents to make up for these special services to be rendered (special energy supply, parallel service, etc.).

In the above-mentioned case, direct action by the ENEL--although it took place outside the context of its institutional authority--must be considered positive and offers a point of departure for a consideration of the role which could be assigned to the electric power agency in the future in the matter of rates.

In our opinion, greater decision-making autonomy on the part of ENEL in this field would always be desirable not only to eliminate certain shortcomings and/or delays encountered in the past regarding the updating of standards¹² and price levels but also to get the agency itself to assume a more active role in the implementation of government policy and electric power demand regulations.

4.2.3. Power Connection Fee

The power connection fee represents the share of expenditures for power connection which is charged to the user.

CIP Directive No 949/1961 as we know provides for the following:

Connections to be made without fee: reserved for users with a committed power of up to 1 kw;

Connections to be made with flat-rate fee: here the user's contribution to the connection expenditure is determined on the basis of the flat-rate figures given by the CIP;

Connections to be made with "estimated" fees: here the fee charged to the user for power connection is calculated from case to case on the basis of the following:

- a. The cost of connection work specifically tied to the type of supply requested;
- b. Coefficients predetermined by the CIP, redistributing the above-mentioned cost among the distributor and user of electric energy.

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In the following we will consider some aspects of the standards in question which, in our opinion, lend themselves to some critical remarks.

In particular, keeping in mind the fact that provisions pertaining to flat-rate fees have already been the subject of some critical observations¹³, we will confine ourselves to considering first of all the provisions in the current standards relating to connections to be made with estimated fees.

It is noted in this connection that these provisions not only do not give us any indications as to how the base cost is made up, i.e., the base cost which must be assumed to determine the fee, but which also, by giving a breakdown of the "expenditure" figures, or the "long-term costs" to be borne by the distributor for putting in the connection as such, give rise to unequal treatment of users. Let us consider, for example, the case of three users who at the same time request connection for two types of supply operations which are perfectly homogeneous in terms of location, supply voltage, "quantitative" characteristics, etc.; one of them is supplied by the distributor with facilities which have already been in existence for some time but which until now have been underused while the other one is supplied through new facilities put together on an "ad-hoc" basis.

Since both of them should be paying a fee in line with the nominal value of the expenditure undergone by the distributor, it appears evident that the first user will pay less than the second one, and he will do so to an increasing degree, the greater the difference of "age" between the two connection facilities.

It is therefore clear that the standard in question represents a violation of the general rate principle according to which two users with equal characteristics must be treated in an equal manner.

A further "distortion" resulting from the implementation of this standard can be evidenced by the following example.

Let us assume that a user, connected in 1970 to the certain trunk line in the distribution network, is afterward supplied in keeping with the supplier's technical requirements, either through the initial line or, alternately, with facilities built in 1960.

Let us further assume that the user in 1980 asks for an increase in power. The estimated connection fee charged to him for each kilowatt of additional power could obviously--compared to the equivalent unit fee as of the moment the supply was started (1970)--result in the following:

It could either be nominally equal, although less in real terms, since the power supply in 1980 was handled through facilities built in 1970;

Or it could turn out to be less, both in "current" and in "constant" money value, in case power supply is provided to the user through power lines built in 1960.

In this second case likewise, the standard therefore appears inadequate.

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Another significant shortcoming in the standards concerning connections consists of the absence of norms governing connections made with a voltage of more than 50 kv¹⁴.

We can as a matter of fact observe that, although these connections may be ignored by CIP Directive No 949/1961, since at the time they were issued they were requested by a very small number of "special" users, presently representing a recurrent fact in ENEL operations, they should hereafter be made the subject of specific standards¹⁵.

A last point of criticism can be raised if we recall that, following the passage of Law No 765, dated 6 August 1967 (the so-called "Ponte Law"), the construction of electric infrastructure facilities in areas not provided with electricity and interested in having such facilities, until then governed by the provision of CIP Directive No 949, was made subject to a twin regulation:

- a. The construction of electrification works, consisting of the trunk lines in newly constructed distribution networks, constituting a part of the urban development process of the land, was made subject to the standards provided for in the law itself;
- b. The actual execution of connections for the individual users to the distribution network on the other hand was returned to the area of CIP regulations.

With the separation between electrification projects and connection projects, the construction of electric power delivery facilities became the subject of a large number of economic-legal relationships between distributor, user, public and private land developers, communities, etc., which interacted in terms of bringing about connection "configurations" not covered by the provisions established at the time by the CIP.

The break existing between the "reality" to be regulated and the content of rate standards, which have become obsolete to the provisions of laws passed after their establishment, once again forced the electric power agency to do what the CIP had not done.

The need for clearly and unambiguously dealing with users as a matter of fact quite some time persuaded the ENEL "autonomously" to settle the setup for electrical operations necessary for supplying new users with power through a regulation combining the provisions issued on the topic of connections by the CIP and those dictated by the urban development laws regarding primary urban development projects.

4.2.4. The "Social Slice" of Domestic Power Supply

A debate has developed on the "social slice," introduced in 1975 in the Italian rate schedule system, under impetus from political and social groups; involved in this debate we have, on the one hand, the supporters of the use of rate schedules also for social purposes and, on the other hand, those who oppose this idea.

Looking at the ideological aspects of this debate, it seems to us that we should note that an objective evaluation of the effects connected with the existence of the current "social slice"¹⁶ is bound to cause confusion as to the attainment of

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the objectives that were supposed to be attained with the help of this system. We must as a matter of fact ask ourselves whether the social slice really is an instrument for defending electric energy consumers on the lowest income level.

We have seen that the rate reduction and the heat surcharge--something now enjoyed by about 95 percent of the domestic users and leading to an average expenditure reduction of no more than 2,000 lire per month--on the one hand does not have the character of preferential treatment confined to low-income consumers alone who use electric energy to meet their own "essential" consumption needs¹⁷ whereas on the other hand it has an irrelevant effect on the family budget.

Paradoxically, the maximum benefit deriving from the social slice (about 4,000 lire per month) is now being enjoyed by users with consumption levels that exceed the "essential" levels.

If we finally realize that the current domestic rates which are "not discounted" can make it advisable to use electric energy for environmental heating purposes, then we cannot fail to show that the social slice is specifically assuming in the rate schedule system also a role in terms of providing further incentives regarding the improper use of electric energy which is already widespread in Italy.

We must therefore not forget, as was disclosed several times, that the use of electric energy for domestic heating in certain parts of the country is a necessary thing in view of the lack of alternate energy sources and this therefore should not as such be considered an improper use of electric energy.

In reality, looking at the data given in Table 3, concerning the use of electric and gas stoves in homes, by regions, we could on the other hand maintain that the use of electric energy for heating purposes is anything but mandatory; the table shows that, in spite of the fact that 96.4 percent of the houses do have gas, electric heaters are used to the extent of 12.3 percent.

We also note that, although it is true that the problem of holding the use of electric energy down for heating purposes cannot be solved only through adequate rates, it is quite true that the current rate schedule does not provide an incentive for further dissemination, quite in contrast to the objectives of Italian energy policy.

In summary, in the light of the considerations presented above, we could thus say that the social rate does, on the one hand, produce "incorrect" information which provides an incentive for the consumer to make an inefficient choice of energy sources to be used, but on the other hand has insignificant effects regarding the goals of a policy of income redistribution.

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Table 3.

1 Regione	2 Diffusione percentuale della stufa elettrica per il riscaldamento dei locali			3 Disponibilità di gas nelle abitazioni		
	4 Totale	5 Senza altro tipo di riscaldamento		6 Con altro tipo di riscaldamento		7 % delle abitazioni 8 In Gas di Gas in totale rete bombe
		9	10	11	12	
Piemonte 11	12,1	1,4	10,8	94,3	42,5	52,4
Valle D'Aosta	7,-	1,4	5,6	87,1	4,-	83,1
Lombardia 12	9,6	0,3	9,3	97,-	63,4	34,-
Trentino A.A.	13,6	9,7	13,3	83,9	8,7	75,3
Veneto	11,6	1,6	10,-	91,6	36,9	60,7
Friuli V.G.	14,2	1,6	12,6	94,-	16,1	77,9
Umbria	9,2	3,1	6,1	98,-	66,9	31,9
Emilia R.	7,1	0,4	6,7	95,4	61,6	34,1
Marche 13	15,-	2,9	12,1	94,-	30,7	63,6
Latina	11,4	1,-	10,4	96,8	12,3	84,6
Marche	13,9	0,3	13,4	97,7	22,5	75,4
Marche	7,-	5,-	2,4	98,6	43,7	55,2
Abruzzi	7,7	1,3	6,4	97,5	17,5	80,5
Molise	9,4	1,1	8,3	95,1	21,7	73,4
Campania	14,7	11,2	3,5	97,8	26,1	72,-
Puglia	13,9	11,5	2,4	96,9	9,5	87,6
Basilicata	9,6	2,1	7,5	92,4	4,4	88,-
Calabria	19,5	15,8	3,7	89,9	10,6	79,7
Sicilia 14	20,4	17,9	2,5	99,2	5,8	93,5
Sardegna 15	12,-	6,-	6,-	97,-	2,4	94,6
In totale 8	12,3	5,1	7,2	96,4	35,9	60,8

Fonte: Enel, *Indagine sull'utenza domestica*, 1975

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Key: 1--Region; 2--Percentage distribution of electric heaters for space heating; 3--Availability of gas in homes; 4--Total; 5--Without any other type of heating; 6--With other types of heating; 7--(% of homes); 8--Total; 9--Gas from network; 10--Gas in pumps; 11--Piedmont; 12--Lombardy; 13--Tuscany; 14--Sicily; 15--Sardinia. Source: ENEL, "Indagine sull'utenza domestica" [Survey on Domestic Uses], 1975.

4.2.5. The "Mechanism" of the Heat Surcharge

As we know, CIP Directive No 34/1974 established and charged domestic energy users with a surcharge for every kilowatt-hour consumed in a differentiated manner depending on the type of power used and the voltage levels; the idea was to reimburse the distributing enterprises, which produced electric energy using thermoelectric plants, for the greater expenditures, compared to 1973, for getting supplies of the following fuels: fuel oil, gas-oil, foreign coal, methane, gas from coking plants.

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The heat surcharge yield--which is collected by the utilities--is handled by the Balance Fund which was assigned the institutional task of determining the volume of the above-mentioned reimbursements.

The logic behind the introduction of the heat surcharge into the Italian rate system can be traced to the need for keeping separate the effects on the rates deriving from the rise in fossil fuel prices from those connected with the increase in other production costs, so as to permit the automatic adaptation of electric energy sales prices along with the change in the conditions for the supply of such fuels.

The heat surcharge entails undoubted advantages in the sense that:

- a. It permits a rapid increase in the rate level;
- b. Since it gives the consumer a precise "message" as to the causes--beyond the utilities and generally beyond the country--which influenced the rise in electric energy prices, it makes these price increases more acceptable to the user.

On the other hand, it does introduce various disadvantages which, on the one hand, are connected with the specific application standards and, on the other hand, which are implicit in the logic of the heat surcharge itself.

Looking at the first aspect here, as we observed earlier, we note for example that exemption from or reduction of the heat surcharge increment applied to some user categories (domestic users, agricultural users, moving power users with a committed power of up to 30 kw, public lighting, aluminum industry, outfits operating under ENEL, etc.) resulted in a higher heat surcharge for the other categories¹⁸.

We also are quite familiar with the objections raised by the industrial enterprises that produce their own electricity regarding the computation of the heat reimbursement for the purpose of figuring the energy delivered to the ENEL¹⁹.

Looking at the second aspect, we must keep in mind that the heat surcharge compensation mechanism can significantly hinder the process of diversification of primary sources used in the production of electric energy which, as we know, constitutes one of the fundamental objectives of Italy's energy policy²⁰.

The reimbursement system introduced through the heat surcharge--by causing a "freeze" on the 1973 levels of variable unit costs borne by the electric power companies for conventional thermoelectric power production--in this context perpetuated the economic advisability for these companies to cope with the increase in the electric power demand by using the same production means which at that time proved to be most suitable, in other words, thermoelectric power plants running on petroleum derivatives²¹.

The price rises on the various fuels as a matter of fact did not bring about any change in the ratio existing in 1973 between the company costs deriving from the various electric energy technologies, although they did bring about a differentiated increase in the real cost of conventional thermoelectric energy which had not been reflected in the correlated increase in the expenditures of the utilities since they were compensated in overall terms with the heat surcharge reimbursements.

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Today, as in 1973, thermoelectric power production based on fuel oil constitutes the most economical way to meet the growing demand as far as the electric energy producing and distributing companies are concerned.

In view of this situation, in which there is an obvious rupture between "company" interests and "collective" interests regarding the choice of electric energy production means, we ask ourselves whether the moment has not come to revive the current heat surcharge mechanism.

Generally speaking, we note that this rate setup, created under emergency conditions, should be a short-term instrument available to the rate schedule authority, not a permanent element in the rate structure.

How to get around this is a problem.

Although it is true that lumping together a portion or the entire heat surcharge in a rate could recreate the economic convenience conditions necessary to promote the use--today clearly penalized--of primary, nonpetroleum sources (water power, coal, nuclear-geothermal energy) it is just as true that this measure would lead to a series of inconveniences.

First among these is the loss of automatic adjustment of sales prices which we stressed earlier.

In second place we must emphasize that the partial or total lumping together of the heat surcharge in a rate could create particularly significant "hydroelectric yields" for companies under municipal control which mostly are involved in hydroelectric power generation.

Without wishing to go any deeper into this issue, it seems to us that we can say that this latter problem, which is undoubtedly one (or the) fundamental obstacle to the adoption of such a measure, could be suitably resolved in the more general context of public finance management.

4.2.6. The "Incentive" for the Wide Use of Electric Heating

In the current situation of relative prices among the various forms of energy that can be used for heating, the electric source seems to look more convenient for large groups of domestic and industrial users.

Regarding domestic uses, we can say that the cost of heating with gas-oil, calculated in line with a range of consumption forms reflecting widely different forms of utilization, turns out to be higher than that of electrical heating.

This is shown in the diagram Figure 2, constructed on the assumption of the following reference hypotheses.

- a. Variable gas-oil consumption between 100 and 1,000 kg per year²²;
- b. Gas-oil price between 285 and 300 L/kg [lire per kilogram], including VAT;

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- c. Total yield from gas-oil heating plant between 0.5 and 0.6;
- d. Average electric energy price between 71 and 96 L/kwh resulting from the application of the rate for domestic uses with a committed power of up to 6 kw, including VAT and treasury tax;
- e. Electric energy consumption between 600 and 7,200 kwh, per year (these values are equivalent, in terms of useful thermal energy, to those connected with the quantities of gas-oil mentioned in point a, above);
- f. Higher fixed annual cost of gas-oil plant compared to electric plant between 150,000 and 250,000 lire per year²³.

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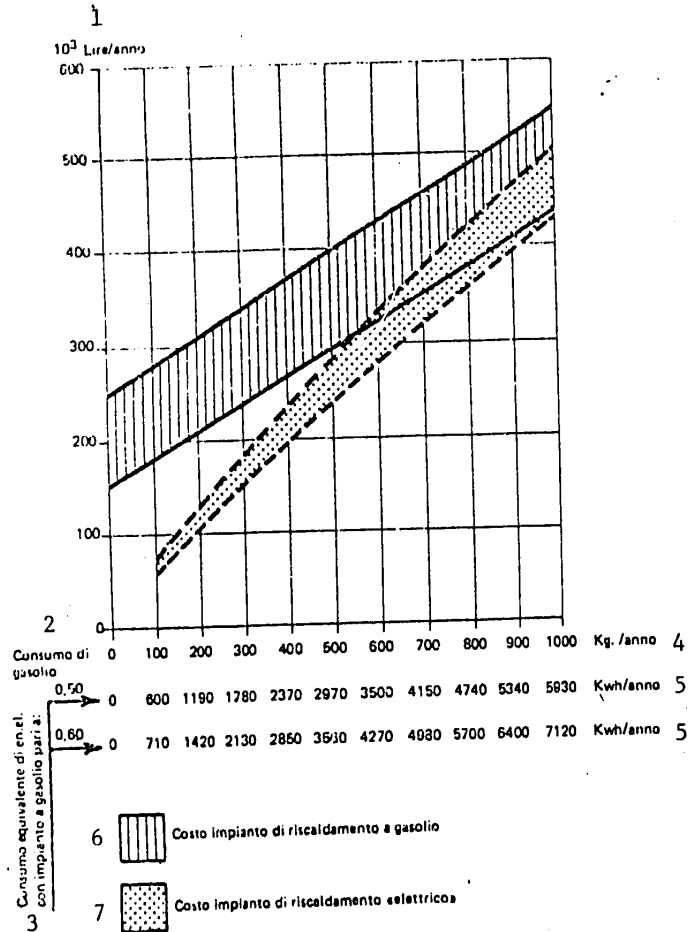


Figure 2. Comparison of presumed annual cost of gas-oil heating plant and heat-convector heating plant. Key: 1--Lire per year; 2--Gas-oil consumption; 3--Equivalent consumption of electric energy with gas-oil plant equal to; 4--Kilograms per year; 5--Kilowatt-hours per year; 6--Cost of gas-oil heating plant; 7--Cost of electric heating plant.

We can thus say that, in line with a range of consumption forms covering the most varied heating requirements arising in the various parts of the country, the use of electric heating equipment can turn out to be more convenient for the consumer than the traditional gas-oil system.

Regarding industrial uses, we note that those characterized by an electric power requirement essentially concentrated during day-time hours constitute a significant example of market segments in which--on the current level and with the

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current structure of CIP rates--the use of the electric "source" for environmental heating can appear particularly advantageous.

For the uses in question, there is as a matter of fact the possibility of using heat systems with night-time accumulation, up to a total capacity of no more than the normal day-time use level, with an electric energy cost coinciding with the kwh unit equivalent provided for in the rate governing the type of supply requested for the "normal" production uses.

Under these conditions, if we keep in mind the volume of kwh unit equivalents covered by the rates in CIP Directive No 36/1979, for power supply in various places of housing units, we can say that very many users, supplied with high and medium voltage, could use electrical energy for environmental heating, putting up with "fuel" costs less than those deriving from the traditional gas-oil systems²⁴.

Considering next that the fixed expenditures certainly accentuate the suitability of electrical heating, apart from considerations relating to the advantages connected with the latter in terms of guaranteed supplies, simplicity of operation, etc., we cannot fail to note that, so long as the structure and/or levels of current electric power rates are not properly modified at the right time, the "industrial" user might come to constitute a market segment highly susceptible to the wide use of electric heating.

4.3. Report by Electric Rate Reform Study Committee

4.3.1. Premise

The incongruencies detected in the standards analyzed in the preceding paragraph seem to confirm that the amendments in the provisions governing the sale of electric energy did not modify the central backbone of the rate schedule system although they did make it possible to correct the worst shortcomings in the standards in question, sometimes perhaps at the cost of further distortions (see, for instance, the case of the heat surcharge for everybody).

However, there is no doubt that there is an urgent need for a general reform of electric power rates; this is demonstrated by the fact that, in 1974, a committee, charged with studying the electric power rate reform, was established under the Ministry of Industry.

We will now take up some considerations which spring from a critical re-reading of the final report put out by that committee.

We note right away that, in view of the heterogeneous makeup of the committee²⁵, the proposals made in the report constitute a compromise of the various positions advanced by each member:

- a. On the labor union side, rates are also viewed as an instrument for income redistribution;
- b. From the ENEL viewpoint, the solution of the rate problem is substantially conceived from the company angle which stresses the objective of an equalized balance sheet and the need for having a "simple" and easily managed rate schedule system;

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c. Confindustria [General Confederation of Italian Industry] was most concerned with showing that industrial users should not have to bear rate expenditures that should not be charged to them.

d. The other production categories (for example, agriculture), were concerned with showing the need for maintaining preferential rates.

4.3.2. The Report's Logical Assumptions

The assumptions behind the proposals listed in the report can roughly be summarized in the following two points:

- a. The yields must make it possible to cover the company cost;
- b. The efficient use of electric energy is automatically guaranteed by a rate structure which will speculatively reflect the production costs.

Assuming that the yields should cover the costs (and hence that the rate level should be in line with the cost level) is an acceptable assumption only so long as we have properly established the existence of a "minimum cost" situation. As the report itself says, "the ways through which the organizations responsible for the production of goods and services must on a priority basis face the increases in their costs, for the sake of the community as a whole, can only be implemented through the achievement of higher productivity levels."

However, although the ministry study notes that ENEL cannot and must not avoid the obligation of keeping costs down through an increase in productivity, the report does state that "the argument, to the effect that it would take quite some time to examine the other elements, has not been properly developed in depth since it is completely beyond the tasks assigned to the drafting committee"; it does this by emphasizing that "the available data enable us to ascertain, especially regarding the first years after nationalization, that significant improvements were achieved after the rationalization of production and distribution processes."

The total volume of electric energy production, transportation, and distribution as a matter of fact is simply determined by adding the items in the ENEL balance sheet, some of which, among other things, include expenses which cannot really be charged to the agency's electric power operations²⁶.

Having said this, we cannot help but criticize the fact--from the methodological angle--that, in the report, the rate level was determined on the basis of the costs resulting from the above-mentioned additions, above all keeping in mind the possibility that the assumption of equality between costs and yields can in fact be expressed in Italian rate schedule procedures as a guarantee requirement which, by allowing the electric energy supplier to "shift" any cost increases to the rates, can act as an objective brake upon the assumption of initiatives of a rate, organizational, and other nature designed to improve the economical operation of the electric power service²⁷.

The latter concern appears quite real to us since it seems to be confirmed both in the ways in which electric energy price increases have been instituted until now

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and in the fact that the cost determination criteria followed in the study we are examining here seem to boil down not so much to a "simplification of method" but rather to a concept which calls for considering costs as an independent variable to be assumed as a parameter commensurate with the yield.

Beyond this logic, we could not explain the proposal for the automatic rise in rates as a function of the changes in predetermined cost indexes repeatedly indicated in the report itself, in clear contradiction to the references for the need to hold cost increases down through an increase in productivity.

But beyond the considerations regarding the effects which an equilibrium in the economic account automatically assured by a systematic adjustment between cost accounting items and sales prices could have on the efficiency of the ENEL, it seems to us that we must say, looking at it from a more substantial angle, that the rate level should be established not so much as a function of an equalized balance (which in fact does represent "political" objective) but rather in relation to the attainment of a situation of financial equilibrium which can enable the electric power agency economically to deal with the development of investments.

Considering the second of the two fundamental assumptions guiding the draft of the Electric Rate Reform Committee--that is to say, that the efficient use of electric energy is automatically assured by a rate structure which will reflect the production costs in a speculative manner--we can observe that the determination of cost configurations, which can be used as objective base for the determination of sales prices for each of the classes in which electric power users are usually broken down, will necessarily be arbitrary in view of the character of the combined product represented by electric energy.

It follows from this that the guarantee of efficiency, which should give the rate system correspondence between costs and prices, in practice turns out to be entirely fictitious.

There is another observation, of a more general nature, which we can make on the ministry study; it deals with the criteria used in determining the costs relative to the various classes of users.

The method of sharing in peak-time output, adopted in the document we are examining here to distribute the costs among the various classes of users, as a matter of fact ignores the relationships existing between the various methods of power use and the dynamics of costs; this consequently give us a price system which shows how rates are still essentially conceived as a pattern for yields and not also as an instrument for regulating the demand.

4.3.3. Some Observations as to the Method

We have summarized the objections to the assumptions used in the committee report and we also want to introduce some ideas which will enable us to evaluate the characteristics and the limitations of the rate methodology employed in the analysis in question; we also want to be able to comment in greater detail on the points discussed earlier. We will therefore try to do the following:

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a. To emphasize the relationships which still exist, both on the level of the electric power system and on the level of user classes, between the demand for electric power and energy, and the cost of the latter's production, transportation, and distribution;

b. To evidence the approximations which inevitably result from any effort to subdivide the costs of electric service into fixed costs and variable costs;

c. To show how the distribution of fixed costs among the classes of users, based on the adoption of one or the other possible method, can lead to different results.

Electric energy supply is marked by a zero "standby time" in the sense that, at any instant, the generation of electric energy can become quantitatively equal to the demand expressed by all users taken together; consequently, the dimensioning of the production, transportation, and distribution plants must be such as to permit not only the satisfaction of the total energy demand arising in terms of time in the electric power system but must also guarantee the coverage of maximum instantaneous power demanded in the grid.

As a function of the above-mentioned circumstances, the total electric energy production cost seems to be divisible into two fundamental components: the "fixed component" which, being essentially dependent on the capacity of the plants, can be considered proportional to the value of the maximum power taken out and the "variable component" which instead can be directly tied to the quantity of energy produced.

The breakdown of the total cost of electric energy supply into the "fixed" part and the "variable" part however is an extremely simplified representation of the total electric energy cost structure. There are as a matter of fact certain cost classes which, although they are extremely rigid, while the energy produced varies (that is, energy consumed or sold), do not seem to depend on the value of the maximum capacity.

Examples of this are the general expenditures, the billing costs, the administrative and commercial management costs of the electric utility, etc.

A more rational subdivision of the electric energy cost can therefore be provided by referring to the cost breakdown as follows²⁸:

a. The energy costs, comprising the costs directly chargeable to the quantities of energy produced (and hence made up mostly of fuel costs);

b. The power costs: more directly connected with the power produced and used in the electric system (financing expenditures, amortization of plants, portion of expenditure for personnel, etc.);

c. User costs: identifiable in the complex of billing expenditures, administrative and commercial management expenses, consultation, etc.) which are part of the "user service" factor.

Overall, the use and power costs constitute the class of fixed costs while the energy costs are identified as a matter of fact with the variable costs.

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The subdivision of electric service costs into two parts or three parts among the classes indicated above raises some problems of charging which it seems a good idea to point up here. In the study prepared by the Committee for Electric Rate Reform, for example, the fuel cost was considered entirely as a variable cost.

In reality, keeping in mind the decreasing ratio between specific fuel consumption and power taken out by a thermoelectric unit²⁹, we can say that, more correctly, the expenditures in question should have been partly charged to fixed costs. We observe, for example, that the British production agency (the CEBG) charges the latter with a share of the cost of fuels used in each power plant on the basis of the formula $100/(100+12.8 L)$ where L is the load factor for the power actually taken from the power plant. Considerations of similar logic could be entertained regarding a more "precise" distribution among fixed costs and variable costs, on the one hand, and expenditures for personnel, maintenance, hydro-geo-nuclear-thermoelectric production, lubricants, etc., as well as a series of expenditures not directly tied to the physical process of electric energy production, transportation, and distribution but nevertheless connected with the operation of the electric power service which, in the study, are simply lumped together in one or the other of the three classes considered.

What we have said so far thus boils down to the fact that the fixed and variable costs can assume different values, as a function of the charging criteria chosen³⁰.

The process of distributing the total electric service cost among the various user categories furthermore involves "approximations" which are considerably more significant than those we have mentioned so far.

The subdivisions of power costs among the various user classes, in particular, implies assumptions which--because of the broad degree of subjectivity characterizing them--lead to results that cannot be clearly spelled out.

This is confirmed by the variety and plurality of methods which, since the beginning of the century, were proposed to solve the problem of assigning the costs of power to the various classes of consumers³¹.

The basic assumption behind all of the methods for the distribution of power costs is that the previously mentioned fixed costs essentially depend on the total maximum load of the system.

The agreement among "positions" which turned out to exist regarding the identification of the main element that generates the fixed (power) costs however does not spring from the fundamental objectives of these distribution procedures: that is, the determination of the total fixed costs which must be charged to each consumer category.

Although there is unanimity in the conviction that each class of user influences the volume of power costs in a manner proportional to the "weight" with which it participates in the formation of the system's "peak," opinions regarding the share of fixed expenditures to be charged to each of them do diverge profoundly.

This basic divergence on the "charging philosophy" has led to the definition of a series of power cost distribution criteria which can be arranged in the following two categories:

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- a. Criteria on whose basis the assignment of the above-mentioned costs to the consumer classes is made exclusively with reference to the power parameter (for example, the power taken out when the system is at its peak, the maximum power, etc.);
- b. Criteria on whose basis each user class is charged with the costs in question keeping in mind not only the power taken out of the grid but also the time factor involved in this power use.

We note that the differentiation between the two categories of methods is not tied so much to the diversity of distribution "instruments" used (only the "power" parameter or the "power" parameter combined with the "time" parameter) but rather the diverse "objects" for which the fixed costs are "charged": using the criteria under (a), it is the class of users which is taken as the reference point for the charging process; using the method under (b), it is the commodity furnished to the user (the kilowatt-hour).

In the ministry study we are looking at here, as we know, the fixed power costs were "distributed" among the various classes of users in proportion to the power taken out by each one of them in determining the system's peak output (method of peak output participation).

Regarding the choice of the above-mentioned criterion, we can note two points. First of all it is assumed that the method--although it may look easy to apply--can lead to a distribution of fixed costs which is rather debatable when the values of the coefficients of participation in the peak power used are not constant in terms of time but reflect the structure of the load curve at the particular moment of maximum power in the system. Keeping in mind that the maximum peak of the ENEL system can materialize with similar probabilities both in the morning and in the afternoons, so as to present a different structure, we cannot rule out the possibility that the adoption of the criterion in question³² may have led to a subdivision of the fixed costs among the various classes of users which is not "in line" with the normal characteristics of power as such³³--in spite of the use of an average value for the peak-time participation coefficients.

It seems to us that we must observe, second, that, due to the use of the method of peak-time participation, in the analysis developed by the Electric Power Rate Reform Committee, no consideration was given to the fact that any energy taken out of the system, even if this is done during "off-peak" periods or even if it is marked by a power value less than the power figure taken during peak hours, since it nevertheless involves the use of power generating, transportation, and distribution facilities, should be "charged" for an albeit minimum share of the fixed cost.

A rigorous application of this method on the other hand would mean that we would not be charging any fixed cost to user classes with zero power taken out when the system is at its peak although the volume used would be significant during other periods of time which are also close to the peak time. This is the case, for example, with public lighting which is practically nothing during winter-time peak-hours in the morning but which is at a maximum in the evening during the winter-time peak.

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In recalling that the use of distribution criterion based on the combined utilization of the two parameters of "time" and "power" would have made it possible to give the above-mentioned circumstance a precise economic significance, to consider it useful to conclude these brief observations, evidencing, through the examples given in Appendix 2, how and to what degree the total fixed costs, "chargeable" to the individual user classes, can vary as a function of the distribution method adopted.

The distribution of energy costs and the distribution of user costs looks less problematical than the distribution of power costs.

Regarding energy costs, we note in particular that, although the assignment of energy and power losses to each of the stages constituting the segments of the plant structure of the electric energy production and distribution enterprises and/or the individual classes of users also raises a problem of subdividing the "common" process costs, the usual distribution methods (which are specifically illustrated by way of example in the report) involve levels of approximation rather than acceptable levels.

But that does not mean that the cost configurations, deriving from the application of the above-mentioned methods, can be considered "exact" figures for the actual variable costs. In addition to what we already observed on the method of charging the three classes of costs considered in terms of fuel, maintenance, personnel, etc., as well as regarding the losses, we can as a matter of fact reveal that the distribution of variable costs as the function of an average value determined on the overall level and properly corrected to take into account the different effect of the losses, in fact signifies ignoring the fluctuations to which the proportional energy cost is subjected due to the changes which take place, in terms of time, in the mix of the generating units in operation.

4.3.4. Some Concluding Considerations

The analysis made so far enables us to draw some conclusions regarding the operational significance which, in a rate reorganization project, may be assumed by the "sector" costs that can be charged to the individual user categories as well as the parameters in relation to which the rationality of a rate system shapes up.

It seems a good idea to point out that what we tried to show in the preceding pages is not so much the character of "constitutional unsuitability" of "sector" costs when it comes to representing the different economic content associated with the elementary demand coming from the individual use categories, but rather the close dependence existing between the value of such costs and the criterion for the distribution of common costs actually adopted.

It seems to us as a matter of fact that while, on the one hand, it is correct to say that, in spite of the intrinsic artificial nature, the above-mentioned cost configurations constitute a by no means inaccurate measure of the differentiations caused by the various ways in which the technical parameters that distinguish each supply form "work," it must on the other hand be quite evident that the indications furnished by them have a meaning only if they are understood with reference to the logic implied in the methods of distribution of electric utility costs among the user categories.

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This logic is devoid of any intrinsic objectivity but does find justification in the objectives which we seek to attain through the distribution of common costs; this logic as a matter of fact is subordinated to the ultimate goals which we intend to pursue with our price policy.

The rationality or irrationality of a rate system thus should not be evaluated so much as a function of the existence of a "formal" coincidence between the costs and the prices of electric energy supplied to the individual user categories but rather in relation to the suitability or unsuitability which the rate system itself presents in terms of satisfying the needs in relation to which it was designed.

If, for example, we assume--as seems to have been done in the electric rate reform study--that the rate system should essentially be functional in terms of attaining certain objectives within the economy of the electric energy producing and distributing enterprises, that is to say, that it should make it possible to cover the enterprise balance, to guarantee smooth commercial management of the particular utility, to guarantee flexible commercial management of the user's operation, etc., then it is clear that the price system currently in force, properly updated on the basis of the conclusions arrived at by the Electric Power Rate Reform Study Committee, can be considered rational.

If on the other hand we say that electric energy price policy should be aimed not only at attaining the above-mentioned goals but also at making the demand turn out to be more compatible with the urgent requirements dictated by the country's energy situation, then there is no doubt that the proposal for electric power rate reform, submitted at the end of 1974 by the above-mentioned committee, would have to be subjected to revision.

The need for a change in the operational function "traditionally" performed by the rate system emerges in relation to the prospects which shape up in the energy field for Italy in short-range and medium-range terms.

It is realistic to think--as was brought out in a recent analysis by the IEFE³⁴ and as demonstrated by the preparation, by the ENEL, of an electric service back-up plan--that there would have to be, in short-range terms, a critical condition in the electrical system marked by shortages during "peak hours." This critical situation could be further accentuated through the manifestation of a form of energy shortage during the middle years of the decade of the eighties.

In longer-range terms, the situation could improve and the supply could turn out to be suitably commensurate to the demand; this is so even though the estimates of the changes that could develop in medium-range terms in the electric energy production system might be more chancy than the earlier ones, essentially because of the uncertainties that still hover over the strategic choices concerning the way to produce electric energy.

It seems however that we can say that, very probably, petroleum derivatives will continue to represent the dominant energy source throughout the entire span of time to which these considerations pertain; this is so because of the unknowns inherent in the implementation of nuclear electric power development plans, the complexity of problems connected with the use of coal to the degree recently hypothesized by

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the ENEL, and the marginal nature of additional contributions from water power and geothermal sources which have not yet been exploited.

Looking at these prospects it appears evident that a government policy of electric power demand regulation, centering around price controls, aimed at reducing the demand during peak hours and the discouragement of "improper" uses of electric energy, can constitute an important strategic instrument for the following purposes:

- a. Prevention or "containment" of presumable peak-time power shortages;
- b. Achievement of energy savings during the utilization phase;
- c. Containment of average electric energy production costs³⁵.

It must however be kept in mind that the modulation of loads and the discouragement of improper uses of electric energy constitute two objectives of rate policy which may turn out to be in conflict with each other.

We can observe as a matter of fact that, for example, a strong differentiation between the prices of electric energy taken during peak hours and those during other periods of time in the course of the day, could on the one hand promote a significant reduction in the peak-time power demand--thus helping in the attainment of the objectives spelled out under (a) and (c), whereas on the other hand this might also give rise to a further and undesirable increase in improper (heat) uses of electric energy.

This contradiction however can be straightened out in our opinion by implementing a rate maneuver designed to take into account both the prices of the other energy sources and of the peculiar characteristics of the various segments of electric power demand, and to resort to suitable measures of a normative character.

It was therefore considered advisable to develop some summary considerations on the limitations, on the operational possibility, and on the tie-in of the rate maneuver as an instrument for regulating the demand in the various segments of the electric power market.

4.4. Some Aspects of Electric Power Load Control in the Various Segments of Demand Through Rates

4.4.1. Electric Energy Supply for Public Illumination

As far as the use of electric energy for public illumination is concerned, it is believed that--in view of the distinguishing characteristics here--it would be quite difficult to produce significant effects in terms of consumption rationalization through rates alone.

As we know, public illumination is a service which is not only linked to the use of electric energy but which is also characterized by rigid service hours, strictly depending on natural lighting conditions.

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It follows from this that, while, on the one hand, we cannot really suggest replacing electric energy with other sources, on the other hand, there is no real specific possibility of making any shifts in the power load actually taken out of the system. It is noted in this connection that taking electric energy for public lighting purposes is something which as a whole figures in the makeup of the winter-time evening peak load while, during the summer, its effect on the maximum load is zero.

In spite of the above-mentioned characteristics, public illumination still represents a sector where the rationalization of electric power demand can have a certain significance.

Recent surveys³⁶ as a matter of fact demonstrated that, by replacing incandescent bulbs with [high-intensity] flood lights, it would be possible, without changing the "quality of service," to reduce the quantity of energy and power actually taken out by the user facilities in question by about 18 percent. Although they are not conspicuous in relation to the overall dimension of the electric power demand, these savings, it seems to us, nevertheless make it advisable to launch promotional initiatives in support of the introduction of the technique indicated above.

The following could be instruments for such initiatives, rather than manipulating the prices of electric energy sold:

- a. A timely change in the standards currently asked by the ENEL--as a counterpart to the maintenance operations performed by the agency itself--of the community administrations regarding illumination equipment;
- b. A selective grant of preferential loans which the laws currently in force provide in support of local administrations to put up public illumination facilities.

While it is undoubtedly a fact that a rise in electric energy sales prices can get users to hold consumption down through the adoption of equipment with a higher lighting efficiency, it is just as indubitable that, in this sense, a much more effective stimulus might be provided by either increasing the cost of maintenance of facilities equipped with incandescent bulbs as far as the community administrations are concerned, or by handling the above-mentioned financing support in such a way as to get them to contribute toward the improvement of the energy yield of the public illumination grid.

4.4.2. Electric Energy Supply for Domestic Uses

The situation on the domestic market for electric energy, essentially, as it emerges from available information³⁷ is characterized by a complex of circumstances among which the following are of particular importance in our opinion:

- a. The current dimension of the social slice is such as to permit--as was underscored earlier--"improper" uses of electric energy at preferential prices;
- b. Electric energy consumption for "heat use" turn out to be growing rapidly above all in the country's south-central areas; in this connection it is important to consider the rapid spread of electric hot-water heaters in the above-mentioned areas (see Table 4);

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c. The sensitivity demonstrated by domestic power demand regarding price fluctuations is such as to make us assume that conditions of necessary "elasticity" exist for the development of initiatives, including rate initiatives, aimed at rationalizing consumption.

Table 4. Use of Electric Water Heater in the Various Italian Regions in Percent of Domestic Users

	1968	1971	1972
1 Piemonte	35,7	43,6	45,5
Valle D'Aosta	48,1	45,6	46,4
2 Lombardia	26,2	24,1	23,2
Trentino Alto Adige	23,8	24,1	24,9
Veneto	15,4	15,5	16,9
Friuli Venezia Giulia	12,4	9,8	11,5
Liguria	19,2	23,8	18,0
Emilia Romagna	18,0	14,5	17,2
3 Toscana	46,3	47,8	50,0
Umbria	23,3	43,5	39,0
Marche	23,8	27,7	23,4
Lazio	51,9	65,4	77,7
Abruzzi	16,7	28,0	43,2
Molise	23,4	29,5	33,2
Campania	36,0	45,8	59,6
Puglia	27,2	37,4	56,2
Basilicata	17,9	25,2	31,8
Calabria	21,5	34,0	44,9
4 Sicilia	19,1	30,6	47,6
5 Sardegna	31,7	43,5	62,6
6 Totale Italia	28,2	33,4	38,0

Fonte: Enel, *Indagine sull'utenza domestica*
7 8

Key: 1--Piedmont; 2--Lombardy; 3--Tuscany; 4--Sicily; 5--Sardinia; 6--Italy total.
Source: ENEL, "Indagini sull'utenza domestica."

The data referring to the structural makeup of domestic users as a matter of fact seem to indicate that the introduction of the "social slice" not only caused a conspicuous concentration of domestic users in the committed power category of up to 3 kw but that the option for the above-mentioned figure in many cases was subordinated to the decision of the users to change their usual ways of using electric energy so as to be able to hold down their own power needs³⁸ through the staggered use of available electrical appliances in terms of time.

The above circumstances cast light upon the fact that a demand regulation policy is opportune and possible also in the domestic field but also point to some considerations concerning some rate schedule steps which it might be advisable to develop,

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keeping in mind however that any effort to revise electric energy prices outside the frame of reference of the system of prices pertaining to the various sources of available energy can lead to results that might also conflict with the objectives of national energy policy.

A domestic electric power demand control policy, carried out through the rate instrument, in our opinion could tend to reduce the "improper components" caused by the use of electric energy for heating purposes and could also reduce the power demand during peak times.

Without trying to propose final solutions, we can say, from a purely theoretical viewpoint, that a multi-hour rate setup could also turn out to be best when it comes to reducing the uses of power during peak hours.

It must however be noted that the advantages deriving from the reduction of the domestic power load during peak times probably would not compensate for the expenditure that would have to be made to apply the multi-hour rates.

It seems as a matter of fact that we can say that the amount of reduction in the total peak volume within the electric power system that can be achieved through a shift of a portion of the domestic power load would be reduced, for the following two reasons:

- a. First of all, since the coefficient of participation in the peak time for domestic uses is rather low which is why a shift of conspicuous consumption "slices" during quiet hours would also lead to a modest reduction in the system's overall peak volume;
- b. Second, because, considering the current per-capita consumption levels, also in the presence of a major reduction in prices on electric power other than during peak times, would provide an insufficient economic incentive to promote a significant response on the part of the users.

On the other hand we must keep in mind that the introduction of a multi-hour rate system--which involves an expensive and complex replacement of measurement instruments currently installed with domestic users--could bring about a development of electric energy heating plants which, as we said before, would instead be slowed down.

Considering all of these points, we could also admit (in agreement, among other things, with what was observed in a recent document put out by the EEC directorate-general of energy³⁹), that domestic rates, reasonably progressive in keeping with the increase in consumption and structured with prices on such a level as to discourage the use of electric energy for heating purposes, can represent a suitable rate instrument--albeit an imperfect one⁴⁰--for the "implementation of a demand regulation policy in the sector in question."

In concluding these brief considerations, we must however emphasize that, in our opinion, to achieve a significant containment of domestic power use, we should in any case follow up any rate schedule steps with measures of a normative type aimed at promoting changes in the current design typology of electric household appliances in order to reduce specific consumption.

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4.4.3. Electric Energy Supply in Places Other than Homes

In view of the extreme heterogeneity of the quantitative and qualitative characteristics distinguishing electric power supplies in places and premises other than homes, it is certainly difficult to spell out a demand regulation policy.

It would therefore be absurd to try to provide precise indications as to the specific structure of rates best suited for developing such a policy in the various demand segments in question.

This is especially so because, regarding particularly supplies in smaller dimensions, such as those for crafts, agricultural, and tertiary sector establishments, the information available to us as to the uses and methods characterizing the consumption of electric energy are not such as to enable us to draft sufficiently well-reasoned proposals.

We will therefore confine ourselves to developing some brief considerations regarding the rate schedule which could entail the launching of an electric power demand rationalization policy in the large-scale industry sector and we will do that essentially on the basis of the information obtained directly during the survey described in Chapter 7.

We must observe right away that the definition of a multi-hour rate system is a very complex thing. This problem cannot simply be reduced to an identification of a rate structure capable of producing significant shifts in the electric power increments from peak times to other periods but instead calls for a solution which would be compatible also with other energy policy exigencies.

From this angle we must therefore carefully realize that, in short-range and medium-range terms, Italy will be characterized by the following:

- a. A shortage in electric energy supply in the sense we can anticipate peak-time and base-energy shortages;
- b. An electric energy production structure predominantly based on petroleum;
- c. A primary urgent requirement for reducing our dependence on petroleum;
- d. A reduced possibility of developing the power generation potential because of ecological, financial, and social-political restrictions.

Having noted this, we observe that, for example, if it were considered necessary to persuade the users to shift significant load "slices" for short periods of time to prevent a presumed peak-time power shortage, it might turn out to be rather awkward to introduce multi-hour rates with rather high price differentials, established also with reference to the elasticity of the individual demand increments at various price levels.

That however could lead to the use of electric energy (during low hours) as a substitute for other sources with the result of wasteful energy use (for example, greater use of electric heating).

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To prevent this effect, which is incompatible with the urgent requirement for holding petroleum consumption down and reducing the expansion of the power generation potential, it would then be necessary to draw up the above-mentioned rates with reference also to the prices of energy sources that take the place of electric energy.

A major hourly price spread on the other hand could be an incentive for the development of industrial production efforts with a high energy content which--as indicated in point (b)--would lead to an accentuation of the country's dependence on petroleum and to a further deterioration of the basic electric energy shortage situation in medium-range terms.

The considerations presented so far show that electric energy prices, established with a view to a single objective only (power saving), can work in directions which also diverge with respect to other directives (energy savings) of energy policy and of the country's economic policy.

It follows from this that the rate schedules for electric energy assume a significance that is quite different from what it was in the past; this calls for decisions and measures which must take into account not only the real situation on the electric power market but also the more complex national energy economy situation and which can necessitate the adoption of rate schedule criteria that are not based only on the cost parameter, such as, for example, the normative criteria which introduce further restrictions, other than those inherent in the rates as such (for example, ban on further spread of electric heating).

We are not trying here to discount the validity of a rate schedule system centering on correspondence between costs and prices; we are only trying to underscore:

- a. In the particular sense that price systems might derive from this correspondence which would not be compatible with the implementation of a demand regulation policy designed to meet the sometimes contradictory exigencies arising from the Italian energy situation;
- b. In the more general sense, the well-known complexities which are inherent in the formulation of electric energy sales prices established in harmony with the country's economic and energy policy directions.

FOOTNOTES

1. The following Directive No 354, dated 23 February 1953, specified that the rates in effect as of 31 December 1952 could be increased by 30 percent, provided the increase deriving for the user would not turn out to be more than the increase springing from the standard rate.
2. The Thermoelectric Surcharge Balance Fund, instituted through Directive No 46, dated 15 March 1946, was designed to reimburse the electric power companies for the increased costs deriving from thermoelectric production.
3. It must be noted that the increments transferred into the price were of a different size also in relation to the final utilization sector (electrochemical plants, steel mills).

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4. A summary list of changes made in the Italian rate system after CIP Directive No 941/1961 is given in Appendix 1.
5. The losses determined as far as the ENEL are concerned came to 90 billion lire.
6. For a more in-depth analysis on the economic and financial situation of the ENEL and on the development of rate standards during the period of 1962-1978, see G. Zanetti and G. Fraquelli, "una nationalizzazione al buio," Il Mulino, Bologna, 1979.
7. In Appendix 1 we have indicated in detail the variations in the structure of the rate system set up established by CIP Directive No 941 as a result of the CIP provisions which became effective after 1974.
8. As we know, the standards in effect provide that, in case of combined use of continuous supply and supply limited to night-time hours:
 - a. The power to be billed for supply limited to night-time hours must be assumed to be equal to the distance between the maximum power taken during the month, in terms of hours listed as night-time hours, and the maximum power taken out during other hours (or contractually committed for continuous supply, if the maximum power taken during day-time hours was less than the committed power);
 - b. The consumption of energy to be billed on the basis of the rate schedule for supplies limited to night-time hours would be established by monthly distributing the actual consumption during the hours in which this latter rate is used between the continuous supply and supply at the specific rate itself, in the proportion in which the power increments taken are allocated to the two forms of supply.
 - c. The price of energy, charged for night-time supply, should however not turn out to be higher than the price for continuous supply.
9. In this connection, see Paragraph 6 and Appendix 3.
10. The annual power equivalent provided for in the high-use integration rate, for supplies delivered to users getting voltage higher than 100 kv, is equal to 43,800 L/kw. The kwh unit equivalent varies from about 28 to 31 lire. Taking out Mw for 1/4 hour, evidently involving a consumption of 250 kwh, therefore gives us a cost equal to 43,800 L/kw x 1,000 kw = 43,800 lire. Divided by 250 kwh, the amount for every kwh taken out is 175,000 lire/kwh.
11. This involves the so-called rates for emergency assistance supply, programmed reserve, and for parallel service.
12. For example, until the entry into force of CIP Directive No 36/1979, the "tolerance limit" of users having a committed power of more than 500 kw was determined by adding to the power commitment a "tolerance" equal to 10 percent of the commitment itself. For this tolerance a "minimum" value equal to 75 kw and a maximum value of 500 kw were fixed. The maximum available power however had to be determined by adding, to the committed power, 25 percent of that committed power, with a minimum of 200 and a maximum of 1,250 kw. The grant of a "tolerance" of 500 kw to users characterized by a committed power of several

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tens of Mw evidently made no sense since the accidental errors implied in measuring the power actually taken out can be very much greater than the above-mentioned value. In spite of that, until the entry into force of CIP Directive No 36/1979, this norm was regularly in effect. A similar remark can be made in relation to the standards provided for by the CIP on the power factor which only recently was modified in a manner conforming with the provisions that had been operative for a long time in the European countries as a whole.

13. See E. Bechis, R. Coriasso, "The Problem of Electric Power Rates," *QUALE SCIENZA*, No 1, 1979, Stampator Publishers, Turin.
14. As we know, CIP Directive No 949 regulates only user connections involving low voltage and medium-high voltage up to 50 kv.
15. Here it suffices to recall that, in 1978, the users of the ENEL, which were supplied with voltage in excess of 50 kv, amounted to about 1,000 units and that energy billed to them turned out to be about 30 percent of the total sold.
16. Reference is made here to rates for domestic uses with a committed power of up to 3 kw, in force as a result of the provisions of CIP Directive 1/1975 which as we know called for the following: a. A reduced price for the first annual 1,800 kwh consumed; b. A reduced heat surcharge for the first annual 1,800 kwh consumed.
17. Although the quantitative expression of "essential" consumption of electric energy by a domestic user is somewhat more arbitrary, we must note that a recent survey by the ENEL reveals the following:
 - a. The average annual consumption necessary for the use of illumination, for ironing, for the refrigerator and for the TV turned out to be less than 600 kw whereas with less than 800 kwh of annual average consumption one can use lighting, the iron, the refrigerator, and the washing machine (obviously in addition to smaller electric household appliances);
 - b. Users included in categories with a committed power of up to 3 kw consumed an average of about 1,000 kwh in 1976 out of the 1,800 annual kwh covered by the preferential rate.
18. This led to a radical change in the structure of amounts billed to the various user classes. The scope of these variations was illustrated in Paragraph 5.
19. See G. Zanetti, "Economic and Rate Aspects Tied to the Problem of Energy Use Rationalization," *op. cit.*
20. On that point, see the information provided by G. Lizzeri, "Price Control Policy in Italy--Materials for a Debate," "Atti del Convegno Arel," Rome, 27 October 1978, Il Mulino Publishers, Bologna, 1979.
21. This economic operation of "oil-fired" plants is further accentuated if we consider the smaller fixed components which these plants require as compared to coal.

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22. This consumption corresponds to the annual gas-oil requirements for temporarily or permanently heating single-family homes in various parts of the country.
23. The above values are differential costs in the sense that they include:
The installation costs (including wiring and wall work) for the traditional heating system;
The maintenance and operating costs (excluding the fuel costs) for the heating system (electric energy, burner maintenance, boiler cleaning, parts replacement costs, etc.), after deducting the costs of installation of the electric heating units and the user's higher expenditures that may spring from the application of the domestic rate with a committed power of 6 kw.
24. Current gas-oil prices (250-260 L/kg, excluding VAT), assuming that the total heat yield of the gas-oil system is between 0.5 and 0.6 and equal to 0.95 of the electric heating system with heat accumulation, it is evident that for all types of use with a kwh unit price below the spread between 33 and 42 lire, the above-mentioned electric heating system turns out to be less expensive than the "traditional" gas-oil system already in terms of variable costs. It must furthermore be noted that users belonging to the market segment in question who may benefit from the above-mentioned reduction in the "fuel cost" are not only those who purchase electric energy at a kwh price lower than the previously indicated limits; to them we must as a matter of fact add all users (also in the form of low-voltage) who, by using night-time storage equipment, can, by switching from standard-use supply to high-use supply, achieve a reduction in spending on the consumption "slice" relative to the "normal" uses of electric energy to such an extent that, if deducted from the total cost of electric energy intended for heating uses, we could reduce the amount to figures lower than the cost of gas-oil employed in traditional systems.
25. The committee, appointed by the minister of industry on the basis of the Ministerial Decree of 13 November 1974, was made up of representatives from the Ministry of Industry, the ENEL, the municipal companies, the labor unions, the industrial associations, the small industries and the crafts, agriculture, and the ANCI.
26. The report explicitly admits that the deterioration of the economic and financial situation of ENEL was caused by the following:
 - a. Factors directly inherent in the "normal" management of the operation (rate schedule ceilings, cost increases are factors necessary to produce and distribute electric energy) and which therefore should be balanced with an increase in rates;
 - b. Expenditures that cannot be charged to electric company operations which should be compensated for through "external" action.According to G. Zanetti and G. Fraquelli ("Una nazionalizzazione al buio," op. cit.) "the greater expenditures borne by ENEL in 1978 for nationalization compensation amounted to 164.3 billion lire. In 1980--the year when the effects of the nationalization operation could have been considered to be over, these expenditures amounted to 210.9 billion lire."

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27. It is noted in this connection that, while it is true that, as far as the electric power company is concerned, the balance sheet situation can turn out to have no effect on the efficiency (more closely tied to other factors, such as, for example, the degree of responsibility given to the middle-level decision-making structures, the increase in productivity, etc.), it is just as true that a guaranteed balance in the economic management of the company makes the search for solutions suitable in minimizing the costs less pressing.
28. A rate schedule analysis developed in the report uses this three-way sub-division.
29. The specific fuel consumption (Comb) is a function of the load factor (FC), which can be expressed through a relation of the type $Comb = a + b FC$ where $b < 0$; since $FC = Pm/Pmax$, with $Pmax$ given, the equation can be rewritten in the following terms: $Comb = a + (b/Pmax) PM$; where $b/Pmax < 0$. By load factor we mean the ratio between the average power supplied and the maximum power that can be supplied during a certain interval of time by a power plant.
30. The CEBG, for example, lists under "fixed costs" the increments of "personnel expenditures" and of "repair, maintenance, etc. costs of generating units" which spring from the development of the following formulas:
 Percentage share of personnel expenditures which can be charged to fixed costs: $= 100/(100 + 0.3L)$;
 Percentage share of maintenance and other expenditures which can be charged to fixed costs: $= 100/(100 + 0.87L)$;
 (L = installed power utilization factor).
31. For an overall view of these methods, see "La tarification de l'energie electrique; Onu Coutes et systemes tarifaires de l'electricitie: une etude generale" [Electric Energy Rate Schedule Development--UN Costs and Electric Power Rate Systems--A General Study], New York, United Nations Publishers, 1974.
32. In the ministry report, the figures for the coefficients of participation of the various user classes are the average of the two values for the morning and the afternoon; this, by the way, appears to be in contradiction with the logic inherent in the method.
33. On this point, see "Struttura dei costi e tarifficazione dell'energia elettrica in Italia" [Electric Energy Cost Structure and Rates in Italy], ENEL, Distribution Directorate, Rate Study Sector, put out by the IFAP seminar, "Costs and Prices in Utility Companies," Rome, 18-20 October 1978, stating that "in the rather frequent cases where the system during various times presents two points of great analogy but diversely constituted by the participation of the various user classes, relatively modest variations in the load of some classes can cause continuous shifts of the maximum absolute load which in turn should give rise to even major variations in the way the costs are charged."
34. For an in-depth examination of this problem, reference is made to the essay by P. Berra, G. Cozzi, G. Oggionni, "The Electric Power Shortage during the

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Winter-Time Peak--Evaluation of Its Volume and Proposals Designed to Prevent it and Cope with It," ECONOMIA DELLE FONTI DE ENERGIA, No 9, 1979, Angeli, Milan.

35. It is noted that the significance which a demand control and regulation policy might assume from this angle, based on the use of the price parameter, might turn out to be anything but marginal. It would be realistic to provide for a progressive increase in current energy prices if in fact we consider, on the one hand, the economic and financial situation of the nation's electric power company and, on the other hand, the volume of resources that should be set aside to support:
 - a. The development of electric energy production, transportation, and distribution plants;
 - b. The anticipated progressive increase in the prices of petroleum products whose utilization, as we observed earlier, will be mandatory for several years to come;
 - c. The expenditure connected with some of the decisions made with a view to reducing the Italian electric power system's dependence on petroleum derivatives.
36. See, for example, P. Salvini, "Energy Savings in Public Illumination Plants in Italy," "Atti della Giornata de Studio sull'illuminazione pubblica," Sep Pollution 78, Padua, 18 April 1978.
37. The market surveys conducted by the ENEL ("Indagine sull'utenza domestica," in 1968, 1971, 1975) represent a point of reference which is extremely useful in identifying the implications of a rate schedule character which are connected with the implementation of an electric consumption rationalization policy in the domestic sector. From these surveys we can as a matter of fact derive a series of indications regarding the consumption and the widespread use of electric household appliances.
38. In this connection it is interesting to note that appliances with a committed power of more than 3 kw, which in 1973 represented about 8 percent of the domestic users, were reduced to 7 percent in 1975 and 5 percent in 1978.
39. See EEC, directorate-general of energy, "Prices of Energy--Analysis of the Sectors of Gas and Electric Energy," Brussels, 1978.
40. It is recalled in this connection that this progressive procedure for example could be a disadvantage to larger families for whom essential electric power consumption could turn out to be way above the lowest price level.

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POLITICAL

FRANCE

NEW DEFENSE POLICY INTENDED TO BE 'PERMANENT'

Paris VALEURS ACTUELLES in French 16 Nov 81 pp 35-37

[Article by Francois d'Orcival: "Military Assurances"]

[Text] The government is placing its defense policy in the context of continuity, the general strategy as much as budgetary choices. At the moment when the menace is increasing, a "Reagan-like effort" will be needed.

Louis XIV had had the phrase, "Ultima ratio regum," engraved on his cannons: the final argument of kings. Cannons are money. The speeches of defense cease with the budgets devoted to security.

Minister of defense for the past 6 months, but a specialist in military issues for the past 20 years, Mr Charles Hernu presented his first budget at the end of last week. From the time when he entered the ministry Mr Hernu has known how to win the confidence of the armed forces ("the military people worship him," says LE CANARD ENCHAINE, which attacks him every week) with one word: continuity.

Not one debate within the armed forces, not one statement by a military chief goes by that is not prefaced with the statement made by the prime minister, Mr Pierre Mauroy, 14 September before the audience at the Institute of Higher Studies in National Defense: "I am assuredly the prime minister of change, but there is at least one point concerning which continuity is indispensable: the dictates of defense."

Continuity of the general doctrine: independence, nuclear dissuasion and Atlantic Solidarity.

But continuity also in budgetary policy: 123 billion francs for 1982. Admittedly a rise of 17.6 percent in comparison with 1981, but an insufficient rise, characterized by program authorizations (future funding) that are too low, combined with already accumulated delays in the delivery of materiel (assault rifles, cannons, Mirage 2000, etc.). And just "barely enough to keep things going at home," that is, train the forces.

From the rostrum Mr Hernu has probably heard remarks like those which he himself made a year ago when he was deputy for the Socialist opposition: "Here again," he said concerning funding for training the armed forces, "the objectives of the

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programming law will not be met, or will be at the cost of ambiguity and expedients: the number of pilots and missions is reduced to arrive at a figure of 15 hours a month in the air force; naval aviation will be below its objectives. The navy will sail only 86 days. As for the land army, with a fuel allotment that will be increased by no more than about 35 percent, it is obviously out of the question to want to give it appropriate preparation.

There is not one line to be changed. (Except for a figure: funding for fuel for the land army will not be increased by 35 percent but by 25 percent.)

On the other hand, an additional risk must be taken into account: that of a crisis in the armed forces' treasury at the beginning of next year (due to the insufficiency of the provisions for salary payments), a crisis like that of 1975. Where is the necessary money going to be found? Mr Fabius, the minister of the budget, will advise Mr Hernu to take it out of the funding for equipment. In other words, to slow down even further the renewal of his materiel.

But to what extent did the new minister of defense participate in adjusting this budget? Almost none whatever. The import of the services approved by vote, of already allotted funds, of programs already started under the previous administration is such that the freedom to move of any new chief amounts to practically nothing.

To be exact, Mr Hernu had some leeway with about three thousandths of his budget: to improve the situation of the contingent, and to write in study funds for the seventh missile-launching nuclear submarine.

The symbolic 350 million nevertheless express a political willpower which Mr Hernu summarizes in a phrase: "Guarantee national independence through a crack-proof solidarity between the country and its army." The seventh submarine for independence, the maintenance of military service for solidarity.

But for basics Mr Hernu is giving himself 2 years. In 1983 he will present a new 5-year equipment law. The years 1982 and 1983, he says, will be for "getting caught up" on earlier delays. They may also be 2 years of additional delays. An identical delay had been taken on at the beginning of Mr Giscard d'Estaing's 7-year term. Already in the name of "thinking over" our defense policy. The risk is that this thinking over may be shackled by a bad economic setting.

We continue to raise the issue the other way around. General Jeannou Lacaze, chief of staff of the armed forces, made the following statement on 29 September before the Center of Higher Studies on Armament: "In view of the ever-rising cost of training personnel and getting equipment in place, the first thing that comes to mind is the extent of the effort which the country can actually devote to setting up a military structure adapted to our needs without jeopardizing the balance of our economy."

The question is surprising for a military chief. General Rogers, chief commander of NATO in Europe, replies: "The most valuable social service that can be provided to a nation is to insure its survival." The most famous of the supporters of the "blow from the ax" in social and public spending to fight against inflation,

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Milton Friedman, told me one day in Chicago: "There is one budget item where no savings must be made, and that is security. Defense comes outside of inflation. Economic prosperity to the detriment of security is an illusion which invites disaster."

France will pay 123 billion next year for its "military insurance;" the nation's social budget will be in the neighborhood of 850 billion. Our defense spending will represent 3.9 percent of our national wealth expressed in terms of the market Gross Domestic Product (M/GDP, the scale used by the Ministry of Defense for its comparisons, i.e., about 90 percent of the GDP).

Twenty years ago this share was 6 percent. It was over 4 percent during all of our years of strong growth. It still stood at 4.6 percent in 1968. Detente and a sense of well-being caused it to drop to less than 3.4 percent in 1974. Five years had been enough for the loss of a point. It will take 10 to get it back. Military funding will not reach the 4 percent range until some time after 1983.

Other public expenses are increasing even more rapidly than the defense budget: the state devoted 17 percent of its resources to it in 1976, as compared to 15.6 percent this year.

Here is what General Lacaze has to say: "The objective of 4 percent of the M/GDP is the minimum threshold below which the armed forces would no longer have the wherewithal to assume their current missions. Below this level, it would, in fact, be best to review these missions and reconsider the role which France expects to take in the world at a time when the threat is becoming greater.

It is the threat that dictates the resources needed for defense and the mission of the armed forces.

The takeover of Kabul and the Iranian disaster abruptly awakened the American giant. President Reagan decided to undertake a huge military rebuilding effort: 180 billion additional dollars will be injected into military funding during the next 5 years. Yet the United States has just reached an unemployment rate estimated at 8.5 percent of the active population (the same figure as in France).

Mr Hernu confided to the delegates of the Defense Committee: "There is no security unless there is an overall balance among the forces, most of all in the nuclear era. Bearing in mind the Soviets' superiority in the area of antiferces capability, the maximum danger period will occur somewhere around the years 1984 and 1985.

The terms of the inequality were pointed out last week by General Haig, former commander in chief of NATO and currently the American secretary of state: in the number of missiles and aircraft the relationship is three to one in the Russians' favor; in "theater" missiles (for Europe only) this same relationship is six to one.

There is full agreement between President Reagan, Mr Mitterrand and Mrs Thatcher: priority is given to the reestablishment of parity among the forces. Before negotiating on disarmament.

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A significant detail: it was during the Western summit meeting in Ottawa last July that Mr Mitterrand let it be known that as soon as he got back he would go to the nuclear submarine base in Brest. During this visit he announced the designing of the seventh missile-launching nuclear submarine (SNLE), sea power being the "diamond point" of our discussion. With this seventh vessel three submarines (54 multiple-head missiles) will be in continuous service on the seas.

The current French strategic nuclear force (SNLE, Albion plateau missiles, Mirage IV) protect France from blackmail like that which stopped our parachutists in Suez in 1956. It protects our population from an antipopulation weapon. It is necessary; as it is now, it is not sufficient.

First because it is necessary to protect, "to cover" the enemy's real stake, which is not France alone, but all of Western Europe. What would become of a France deprived of Europe? It would be suffocated. Germany, denied possession of nuclear weapons because of its defeat, will be literally sucked in by unconditional neutralism ("better red than dead"), if France and Great Britain, nuclear powers, are not in a position to substitute in a timely manner for the sole American guarantee.

Nuclear weapons, Stalin used to say, are made to "scare people with delicate nerves." The SS 20s and the Soviet "Backfire" bombers are already in the process of disarming Northern Europe from a distance.

Moreover, other forces are required against other threats. Defense can do nothing more than adapt itself to the attack, and strategy to the evolution of weapons. Nuclear or classical. Timidity in this area would be a sign of weakness. It is of the utmost importance that Mr Mitterrand has requested that work go forward on the neutron weapon.

An interesting discussion got under way within the armed forces before becoming, in the Elysee, the subject of a forthcoming defense decree. A discussion between supporters of the seventh missile-launching nuclear submarine and the defendants of the nuclear driven aircraft carrier.

These two weapons do not, militarily, have anything in common. The former, hidden for years more by the darkness of the oceans, is the instrument of massive reprisals, the weapon of despair. The other is the very tool of heavy, long-distance intervention (an aircraft carrier, not so slow as one might think, covers 800 kilometers a day): to insure the free movement of our supplies, of our interests abroad, or simply to show our presence.

This discussion no longer makes sense, if it is a matter of choosing one program rather than the other on the grounds that, their approximate case being from 4 to 5 billion each (with its missiles in the case of the former, without its airplanes in the case of the latter), France is thought to be unable to launch them both.

The missile-launching nuclear submarine and the aircraft carrier are not mutually exclusive, but rather are complementary. It will be the government's difficult task to lay out the work on the weapons of the future: new land missiles (those of Albion now becoming vulnerable), bombers to succeed Mirage IV, a new generation of tactical weapons.

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This is an urgent matter: the choices must be made before the period which Mr Charles Hernu identifies as that of "maximum danger" (1984, 1985). MacArthur used to say: "In war, the story of failure can be summarized in two words: too late."

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POLITICAL

SPAIN

VARIOUS CONSEQUENCES OF NATO ENTRY ANALYZED

Madrid CAMBIO 16 in Spanish 9 Nov 81 pp 28-31

[Article by Antxon Sarasqueta: "To the Rock for NATO"]

[Text] Once the Congress of Deputies receives the green light for Spain's entry into the Atlantic Pact Treaty, the Calvo Sotelo government will begin both official and unofficial consultations and negotiations with the heads of NATO.

The objectives of the Spanish authorities include the attainment of the command of the Strait, which is part of the Balears-Gibraltar-Canaries defense axis, and the establishment of the Iberian Peninsula Command in Madrid.

As a result of Spain's entry into NATO, this organization is obliged to restructure its provisions for strategic commands, according to the highly reliable military and government sources queried by CAMBIO 16.

The greatest difficulties for the Spanish authorities have arisen because of the suspicious attitude that has been detected for some time in government circles of Portugal, a country which up until now has maintained supremacy in the southern defense of the European Atlantic within NATO.

On the other hand, although NATO has thus far refused to state overtly what it thinks about the new distribution of military commands, Great Britain has already expressed an excellent willingness to cooperate in the Spanish leadership of the Strait command.

A high-ranking military commander told this magazine, "Never before has Great Britain had a better disposition toward Gibraltar than it has now."

The same Atlantic expert assured CAMBIO 16 that London has already given concrete signs and all kinds of facilities to enable Spain to obtain the command of the Strait, and to obtain a foothold in Gibraltar as a first step toward solving the dispute between the two countries. "And that should be Spain's entry into NATO," he noted.

The president of the government himself, Leopoldo Calvo Sotelo, is confident, as he stated in a recent closed meeting, that the responsibility for the command will go to a Spanish military man, and that this will be the first step toward placing the Spanish flag on the Rock of Gibraltar.

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Nevertheless, in some previous studies it has been virtually ruled out that the command of the Strait might be established in Gibraltar itself, for technical and logistical reasons which, however, indicate an ideal situation in Cartagena.

Once the Spanish Western defense commands become incorporated into the NATO system, they will have a radius of action that will, almost certainly, include the French and Italian Mediterranean, and in some cases have the participation of foreign troops.

In this way, NATO would partially replace the vacuum left by France when De Gaulle (on 10 March 1966) left the NATO military system (without leaving the Pact) in the MEDOC (Western Mediterranean) area, with a base in Toulon.

Problems With Portugal

In the case of Portugal, the problems confronting Spain are of a larger scope, although the potential confrontations have not yet assumed a public or official nature, with the process of the Spanish affiliation still in its first phase.

According to a Spanish report prepared this summer with the title "Portuguese Position Toward Spain's Entry Into NATO", which has been used in high-ranking government echelons, those misgivings on the part of the neighboring country stem from three fundamental aspects:

Discomfort over our entry into NATO because it might entail the loss of preeminence on the Iberian Peninsula. Although they regard it as positive for the Alliance, the economic aid that they are now receiving is also at stake. At the moment, all this is rather nebulous.

They are the spokesmen for the strategy on the Iberian Peninsula and its sphere of influence (they are the ones consulted). They fear that with Spain's entry they will lose their leadership.

The problem of commands that could be posed, especially the IBERLANDT Command (now in Lisbon, under Portuguese leadership). They want us to be responsible for the Mediterranean and themselves for the Atlantic (no globalization of the Iberian Peninsula).

This latter position, precisely, is upheld by the Portuguese defense minister himself, Diego Freitas do Amaral, based on the idea that Portugal has an "Atlantic destiny" which, according to the latest information, is backed by President Eanes and the Socialists in that country.

However, 2 years ago, the former defense minister, Gen Mario Firmino Miguel, pointed out (in a position that has been reaffirmed with the passage of time) the feasibility of locating the command of the Peninsula in the center of the territory, for reasons of strategic effectiveness.

According to Gen Firmino Miguel, "It would be unfeasible for the Iberian Peninsula not to be considered a strategic entity in terms of the structure of the NATO commands."

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In one of his studies, Gen Fermino Miguel added: "The formation of this new command, whose action in the ACE (Allied European Command) area would necessarily be located on the Iberian Peninsula, in the Mediterranean and, possibly, on the northern coast of Spain, would have to call for the installation of its general headquarters in a relatively central position, probably in the Castilian region, Madrid or its vicinity."

The Canaries Defense

But even in Spanish government circles most directly related to the entry into NATO, there are serious doubts that the situation will proceed in this manner; among other reasons, because that organization almost never uses strategic criteria when it is time to establish commands, if this entails a clash between two member states.

Under these circumstances, NATO imposes politicomilitary criteria. This means that, in the case of Spain and Portugal, a decision would be made with intermediate solutions. In other words, to establish the command of the Iberian Peninsula in Madrid, with an alternate headquarters, or to divide the territory into two commands, keeping the present IBERLANDT one in Lisbon and locating the new one for Spain in Madrid, subordinate to the Allied Command in Europe. Because with the current structure of the NATO commands, the Portuguese zone is not subordinate to Europe, but rather to the United States, known by the initials ACLANT (Allied Atlantic Command), with a base in Virginia (United States).

Within this complex system of military commands comprising the NATO table of organization, Portugal also advocates an almost privileged sphere of economic influence in the triangle formed by the Azores and Madeira islands with the continent; whereas the economic zone of the Canaries, or the coast of Cadiz, is very limited, for geographical reasons. Now, the Spanish option in the NATO defense system is one of superimposing the Mediterranean and Atlantic zones, wherein the Baleares-Strait-Canaries axis could play an essential role.

At present, there are plans to reinforce the defense capacities of the Canaries and Baleares, according to reports obtained by this magazine.

In Spanish military circles there is a real embarrassment when mention is made of the defense capacity established in an area of such great significance to Spanish and Western interests as the Canaries, because it is virtually non-existent in comparison with the needs.

It must be realized that over 95 percent of Spain's foreign trade is conducted by sea, and the Canary Islands in particular rank among the most important oil routes in the world, with all the traffic coming from the Persian Gulf via the Cape of Good Hope.

From a defense perspective, the "Atlantic front" which covers the area from the British coast to the Canaries is of special importance in the NATO plans in the event of a war in Europe, because it is the route whereby the military and food supplies coming from the United States and even Latin America would enter.

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- On the other side of the Baleares-Strait-Canaries axis lie Spain's two African provinces, Ceuta and Melilla, the defense of which by the NATO forces is of doubtful viability, according to the terms of the North Atlantic Treaty text, which places the boundaries in the direction of the Tropic of Cancer toward the north.

This has been one of the most controversial points in the parliamentary debates, with the opposition arguing that the government should request as a guarantee for the defense of Ceuta and Melilla the inclusion of a special clause when the treaty is signed.

- According to the military experts, there is scarcely any doubt that neither Ceuta nor Melilla comes within the defense boundaries of NATO, but they detract importance from this fact, pointing out that the defense of the two provinces is totally guaranteed by the Spanish Armed Forces, as is that of any other province in the southern part of the peninsula.

By its very nature, Spain's entry into NATO will bring about a deepseated change in our Armed Forces' contacts abroad, on a level of "permanent relations".

- In Spanish military circles it is agreed that the process of incorporation will be slow and the negotiations complex, and that the relations that are to be established will cause some substantial changes in the Spanish Armed Forces, both from the standpoint of their strategic centers of operations (especially in the case of the land army), and that of an improvement in resources and systems.

- A high-ranking government official associated with defense described this change as follows: "Our branches of the Armed Forces will proceed from a system and a philosophy based on internal defense to a different one open to the external area, and in the Western context."

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POLITICAL

SPAIN

PSOE TO HARDEN CRITICISM OF ADMINISTRATION, MODERATE IDEOLOGY

Madrid CAMBIO 16 in Spanish 2 Nov 81 pp 40-45

[Article by Jose Manuel Arija and Rafael Cid: "The PSOE, Out To Get Calvo"]

[Text] The Spanish Socialist Workers Party has sent the Moncloa Palace a clear message: from now on they will be out to get the president. Along with this message, the 29th Party Congress has made it plain that the consensus has ended, and that Calvo Sotelo will not be able to escape the opposition that Felipe Gonzalez's party will bring to bear in Parliament and in the streets.

"We must be rougher on the president of the government," announced Nicolas Redondo, the man from the socialist labor union, "because in Calvo Sotelo the CEOE [Spanish Confederation of Business Organizations] has found the pawn it needs, since he only serves the interests of the employers."

"The Francoites are coming back without having to be voted into power, because the government is so weak," the secretary general of the PSOE, Felipe Gonzalez, warned in his turn. Between Redondo's announcement and the warning from Gonzalez a Congress took place last week in an atmosphere of unanimity which reminded one more of the National Congress of the Franco movement than of the decisive Congress of those who claim to represent an alternative of government and change. Arsenio Mieri went to the Reinos station, got his train ticket and left for Madrid. During the course of his life he had missed very few PSOE congresses. Now, only a few months away from his 80th birthday, Arsenio complained through the smoke of a "farias" that the young socialists of today have not been toughened like those of the past. "But what are we old fellows going to do, if we can't do much any more? We haven't the strength, and we can't smoke, we get tired right away."

"Why do you say that you can't smoke, if you are smoking a cigar now?" he was asked by the journalist seated next to him in the Palace of Exhibitions and Congresses in Madrid, where the 29th Congress of the PSOE took place from 21 to 24 October.

"Yes, I'm smoking it, but I ought not to, because the doctor has forbidden me to," he answers, while he calmly reapplies the match to the dead butt of the cigar.

Arsenio, a retired metallurgist from the Reinos shipyards, wears pinned on his lapel a card saying "guest." He sat through the long sessions of the Congress until the early morning hours.

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"But I'm getting upset," he adds, "because there hasn't been any discussion. And when socialists don't argue, it's very bad"--a pause, and he gives his verdict-- "because out of argument comes light." This old militant, who joined the UGT [General Union of Workers] 60 years ago, and the PSOE a little later, has reason to be upset. There was no discussion at the 29th Congress. Caught up in a complex of not making a spectacle of themselves like the previous congress; careful not to disturb with their internal dissensions the voters who could give them a victory in the coming general elections; and in conformance with the iron control wielded by the party apparatus, the delegates did not want to enter into any debates.

And something happened which had never been seen before in the PSOE: the actions of the Executive Committee were approved with 99.6 percent of the votes. The 0.4 percent opposition came from Avila, which was authorized to vote against it, and which at the last minute did not even dare to do that, choosing instead to abstain.

That concern about presenting an image of a united and cohesive party led them to some high percentages of unanimity which many felt ashamed of the next day. "We look like the congress of the Bulgarian communists," some said with an apologetic smile. "Why should we vote against it if we think the actions are positive?" others defended themselves.

The 100-percent vote for Felipe Gonzalez for the post of secretary general was the final item in the program of unanimity. In the closing speeches, harsh criticisms of the Calvo Sotelo government, frequent quotations from Pablo Iglesias and warnings of possible socializations tried to stir up the spirits of an excessively peaceable congress and at the same time to give an impression of toughness in the face of criticism for being moderate.

The phrases "Put steel into the party" and "Toughen the ranks of socialism," uttered by Felipe Gonzalez, were a sign of the new phase which the PSOE may be entering as it faces an election campaign which appears to be coming increasingly closer.

But many of those attending the congress asked themselves how that toughening was going to take place inside the party: greater control of the apparatus, or an approach toward the sectors of the critics?

Judge and Plaintiff

The sparseness of the debates and certain self-criticisms of the oligarchization of the party make some people foresee the need for greater internal discussions, because the blandness and lack of controversy go against the character of many socialists. A delegate commented to his neighbor in the next seat: "Just look how we are getting to be like the social democrats. They even passed me a written note saying that my wife had phoned me." On their part, some members of the outgoing executive committee encouraged their colleagues to come out and criticize them. The normalcy and smooth functioning raised suspicions of a turn toward the right.

It appears that the delegates went away convinced that there must be a change in the systems of functioning and of representation in the Congress. The PSOE cannot

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continue on with a congress patterned the way it was at the beginning of the century, when socialism now exists not only as a party but as an institutional implant in the organs of the State.

"It is absurd," said a current executive, "that 70 percent of the criticism of the Executive Board was made by members of the Federal Committee, because both measures are voted jointly. Thus the person speaking becomes both judge and plaintiff. There is no sense in voting at the same time in the controlling body--the Federal Committee--and in the controlled body--the Executive Committee."

But being convinced that it is necessary to alter its internal organization did not make the 29th Congress confront its problems directly. "They were afraid to," it was commented. But at the last minute a proposal from the Francia Sur delegation opened the door to reform. At the suggestion of these representatives, it was approved that within a period of 12 months various "Organization Days" would be held, for the purpose of studying all the necessary changes. If these conclusions were later adopted by the Federal Committee, they would come into effect at the next Congress. Proportionality, and a new system of work at the congress, which would involve not having to read the five thick volumes prepared for the present gathering, would thus lead the way.

This seems like a good idea to the "socialist left" group, which was absent from the current Congress, if people guarantee to attend those days. "Here, as on other points, decisiveness has been lacking," says Jeronimo Saaverdra, one of the few critics attending the Congress. "A situation came up where Felipe Gonzalez was trapped by the Valencia and Andalusia federations, and Felipe did not dare to exercise his power."

During the first 2 days of the debate, the possibility of the party's turning to the right alarmed some delegations, because of the line taken in some reports.

In the case of the economic report, Carlos Solchaga introduced a lengthy document in a surprising and unusual way. According to some sources it was the first draft of a possible coalition government economic program ordered by Felipe Gonzalez a few months ago. Because of the manner in which it was introduced and its contents, the document raised the suspicions of the economists of other federations. The representatives from Madrid eventually disassociated themselves from the report because of disagreements. They did not accept Solchaga's definition that "in order to get through the crisis" wages had to go down 2 points in relation to inflation. "We do not agree with the philosophy expressed by Solchaga, nor can we say to the workers: vote for us in the coming elections because we are going to lower wages. It is intolerable," argued the people from Madrid and other delegations.

Socialist Happiness

In the end, Solchaga's document underwent substantial changes. Various amendments reached the plenum of the Congress. The one from Valencian Sanchez Ayuso--"we must distinguish between the policy toward the crisis which the right offers and the one which we socialists put forward"--proposed an economic reform program similar to that of the French socialists, and was defeated by the scant margin of 3 percent of the votes. Joaquin Leguina, from Madrid--"we socialists cannot adopt the liberal

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message that unemployment is the fault of wages"--managed instead to introduce his amendments, which were more to the left than Solchaga's text: let the unions play the main role as far as wages are concerned, reduce costs in Social Security, and have socialization of 40 percent of the financial area.

With more open and flexible tendency than what was expected at first, the Madrid delegation also contributed to other reports. In the political one, the letter "s," from the plural of "bloc of classes," also caused a long argument. For some, like the Catalanian Fabregas, "keeping in the letter 's' could change us into a bloc or an inter-class party." "What we should create," added Fabregas, "is a socialist movement which groups together all the exploited classes, or those which are beginning to feel exploited." This idea was the one that prevailed. There was a 2-hour discussion on whether or not it could be said that socialism is a design for the happiness of mankind. According to the Andalusian spokesman Rodriguez de la Borbolla, "Marx implicitly mentioned happiness when he alluded to the unhappiness of the capitalist system." Delegates Iglesias and Triginer opposed the definition, because they considered it utopian. In the end, they settled on an intermediate definition: "Socialism is a plan for achieving the social conditions which make possible happiness for mankind."

In the section dealing with the autonomies, the concepts of nationality and region were debated, with a clash of dialectics, between the Catalanian Joan Prat, the Basque Txiqui Benegas and the Andalusian Rafael Escuredo, among others. Another Basque, Garcia Damborenea, hit upon the phrase which closed the discussion between federal and autonomous states. "The federal plan of the PSOE," he said, "is a suit hung in a closet, and we don't know when we are going to use it." In the labor union report, which strangely enough listed none of the delegates who are also members of the executive committee of the UGT, the debate centered around the Basque Country and Madrid. The former thought the relation between the party and the labor unions should be closer. According to Carlos Perez, from Madrid, the party's labor union policy should move farther away from the UGT and direct itself toward the workers' movement as a whole. In the end, the ideas of the Basques prevailed.

The formation of the new Executive Board created its emotions and differences as always, although there were no excessive tensions. Only the solitary introduction as a candidate of Rafael Escuredo, current president of the Andalusian Board, caused problems. "Rafael is tired of being blocked and pushed to the side in the party. The Andalusian socialist leadership wants to dominate even his most immediate collaborators, and because of this he has made a bid to join the Executive Committee," his sympathizers say.

Compromise Executives

In what was judged to be the most serious event of the Congress, Rafael Escuredo even threatened to resign from the presidency of the Board if he was not elected. The spokesmen even prepared a statement of support, but Escuredo answered them: "If you make that statement I am getting up and going away immediately. I don't want moral support, but actions." In the end the statement was not made, and 23 percent of the Congress voted for him. It was too small a percentage for him to be elected, and the majority of the Andalusian delegates did not associate themselves with it.

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Other delegates gave their opinion on the Escuredo case. "We recognize Rafael's motives, but if every one of us who is irritated did this, we would be in trouble. People in positions of responsibility should be patient and not harm the party, even if they do have their reasons for being annoyed."

Felipe Gonzalez admitted publicly that the initiative for creating a permanent committee inside the Executive Committee had come from him. Apparently, only reasons of efficiency had led him to make this decision, because a 24-member board turned out to be too large and impractical.

Despite this, there was criticism of the secretary general's lack of the forcefulness to propose a smaller leadership board instead of the compromise of creating two categories, by those who saw no other purpose than that of keeping on executives, more for the sake of compromise than for efficiency.

Luis Solana, a delegate who is deputy from Segovia, criticized the decision to create the two categories. "The point that I raised," he says, "was that as soon as you have some executives who are permanent and others who are not, power becomes concentrated in the former; and therefore the pattern chosen was a dangerous one. We should trend in the opposite direction, toward decentralization of power."

After meeting with the heads of delegations, Felipe Gonzalez began to speak about the subject that was already buzzing through the corridors of the Congress, the danger of oligarchization of the party. The presence of the "regional oligarchies," with an implicit agreement to respect their powers, through which the intermediate cadres would not dispute problems in the federal sphere in exchange for the leadership not interfering in regional topics.

In the opinion of some outstanding delegates this was a new argument which started up in the 29th Congress, although in a hidden form: the question of distribution of powers within the party. Some thought the leaders of the federations had eliminated their respective internal oppositions, rather than Alfonso Guerra or Carmen Garcia Bloise. "It is a new phenomenon, which Felipe opposes, but which he should resist energetically," they concluded.

Undiversified and officialist because of the procedure of delegate selection, the Congress could only produce the result of moderation in its principal economic and political reports, which did not satisfy the critics, although they have stated that they are willing to respect the results.

"I fear," stated Jeronimo Saavedra, from the socialist left group, and Canary Island spokesman, "that if we keep up our present political strategy of moderation, of occupying and filling space which belongs to the UCD [Democratic Center Union] it could lead us to defeat in the coming 1983 elections."

News from Congress

The critics support this thesis, inasmuch as it would cause abstention on the left without captivating the electorate, making more votes be lost than would be gained on the right. On the contrary, the officialist wing is convinced that it is only possible to have success in any general election with programs which are realistic and applicable to today's conditions.

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To sum up: the most newsworthy issues dealt with by the 29th Congress were the holding of future congresses every 3 years instead of every 2; the elimination of the incompatibility rule saying that parliamentarians cannot be members of the Federal Committee; an executive board with a reduced permanent committee within it; responsibility and moderation as regards wage increases; nationalization of the primary system of electrical transmission; socialization of 40 percent of the financial sector; the convocation within a year of a conference to deal with problems of internal organization; transformation of society through the party's leadership of a bloc of exploited and oppressed classes and sectors; broadening the position of the autonomies toward an organization as close as possible to that of the federal state.

On the return journey in the train which was carrying him back to Reinosa again, the old veteran Arsenio Mieri, who as on other occasions had paid all his expenses out of his own pocket, murmured his final complaints: "Of course, the intellectuals are indispensable in the party, but the workers are the ones who fight in the front lines. Hell, we're not the UCD; Felipe has to be tough, because we all want him to be president of a socialist government."

And Arsenio, since his doctor wasn't travelling at his side, forgot that he was an octogenarian, thought of his long-time socialist toughness, with prison, dismissals and exile, and lit another "farias." "I'll keep going for the time I have left," he said.

THE NEW EXECUTIVE BOARD OF THE PSOE

	Position on the Executive Board	Age
Ramon Rubial	President	75
Felipe Gonzalez	Secretary General	39
Alfonso Guerra	Asst. Secretary General	41
Ciriaco de Vicente	Secretary for Social Action	45
Guillermo Galeote	Secretary for Publicity	40
Emilio Alonso	Administration & Finance Secretary	39
Jose Maria Maravall	Secretary for Culture	39
Joaquin Almunia	Studies & Programs Secretary	33
Carmen Garcia Bloise	Secretary for Organization	44
Maria Izquierdo	Executive Secretary	35
Carmen Mestre	Executive Secretary	38
Javier Saenz Cosculluela	Executive Secretary	37
Jose Maria Benegas	Executive Secretary	33 [?]
Manuel Chaves	Executive Secretary	36
Pedro Bofil	Executive Secretary	35

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	Position on the Executive Board	Age
Salvador Clotas	Executive Secretary	42
Francisco Lopez del Real	Executive Secretary	68
Salvador Fernandez	Executive Secretary	28
Joan Lerma	Executive Secretary	30
Jose Angel F. Villa	Executive Secretary	37
Javier Solana	Executive Secretary	39
Luis Fajardo	Executive Secretary	35
Enrique Mugica	Executive Secretary	49
Jose Maria Obiols	Executive Secretary	40 [?]

Joan Prat	Executive Secretary	39
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Profession	Parliamentarian	Federation
Machinist	Senator (Vizcaya)	Basque Country
Attorney	Deputy (Madrid)	Madrid
Philosophy and Letters	Deputy (Seville)	Andalusia
Labor Inspector	Deputy (Murcia)	Murcia
Physician	Deputy (Cordoba)	Andalusia
Economist		Balearics
University Professor		Madrid
Economist	Deputy (Madrid)	Madrid
Commercial Expert	Deputy (Madrid)	Madrid
University Professor	Deputy (Granada)	Andalusia
Economist		Madrid
Attorney	Deputy (Logrono)	La Rioja
Attorney	Deputy (Basque Parliament)	Basque Country
Attorney	Deputy (Cadiz)	Andalusia
University Professor	Deputy (Teruel)	Aragon
Editor	Deputy (Catalonian Parliament)	Catalonia
Technician		Madrid
Economist	Deputy (La Coruna)	Galicia
Economist	Deputy (Valencia)	Valencia Country

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Profession	Parliamentarian	Federation
Miner		Asturias
University Professor	Deputy (Madrid)	Madrid
University Professor	Deputy (Tenerife)	Canary Islands
Attorney	Deputy (Guipuzcoa)	Basque Country
Bachelor of Sciences	Deputy (Barcelona)	Catalonia
<hr/>		
University Professor		Catalcaia

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POLITICAL

SPAIN

BASQUE TERRORISTS ALLEGEDLY RELEASED BY LENIENT COURTS

Madrid CAMBIO 16 in Spanish 9 Nov 81 pp 37-43

[Article: "118 ETA Members on the Street"]

[Text] During the past 10 months, the national high court of justice has given a provisional release to 118 presumed terrorists from the Basque organization, ETA-Military [Basque Fatherland and Liberty Group-Military], according to information reported to the government by the Ministry of Interior a few days ago.

According to the police information, of the 118 terrorists at liberty under surveillance, at least 23 have provided information and resources to the ETA Military action commands, which have caused the death of innocent persons who were the victims of terrorist bullets.

According to government sources, this position on the part of the national high court of justice has given the society the impression that crimes, essentially those of a terrorist nature, are going unpunished or are receiving slight penalties in comparison with common ones.

This police charge clashes directly with the views of the judges, who on more than one occasion have rejected the police's accusations of "leniency" in penalizing the presumed criminals.

Apparently, the inefficiency of the police themselves is responsible for the release of those citizens, precisely because of the lack of evidence that the police must necessarily submit.

While high-ranking officials of the Judicial Branch avoided making statements about that release of over 100 presumed ETA members, one judge, a magistrate of the national high court of justice, who prefers not to give his name, but does express his views, which are shared by many of his colleagues, gave categorical assurance that "no terrorist crime for which sufficient evidence has been submitted has gone unpunished, and a sentence less than that stipulated in the Penal Code has never been given."

Thus, the confrontation between the police and the judicial claims has occurred again, and this time in a serious case: According to the police, direct collaborators of the ETA are on the street. CAMBIO 16 obtained this list of those released from

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jail, from government sources, and is publishing it, pointing out the discrepancy that usually exists in such cases between the police and the judiciary.

Trained to Kill

On 23 May 1980, the Dutch authorities turned over to the Spanish Government four presumed ETA Military terrorists. They were: Jose Antonio Aguirrebarrena Ruiz de la Cuesta, Juan Carlos Yurrebasolo Atucha, Jose Manuel Arzallus Eguiguren and Juan Ignacio Urrutibeascoa Mendiolagaray.

All four had been arrested a few hours earlier at the Amsterdam airport, upon their return aboard an Air Kuwait plane from Aden (South Yemen), the latest terrorist "university" known in the West, "where they had been trained to kill," according to the Ministry of Interior.

Police sources claim that the four presumed terrorists had been in the Yemen terrorist sanctuary for 5 months, becoming physically toughened and learning to fire all types of weapons, from the Western M-16, Stein and Beretta rifles to the famous Kalasnikov, of Soviet make, and including all kinds of pistols: Tokarev, Makarov, Browning, Walter P-38 and Luger.

According to the same sources, they also engaged in exercises launching American, Chinese, Soviet and British hand grenades, and learned to make all kinds of explosives and to shoot in the dark, using infrared light visors.

According to government sources, only three of these four Basque terrorists, "masters in the use of the most modern techniques for subversive revolutionary war," are in jail. The fourth, Jose Antonio Aguirrebarrena y Ruiz de la Cuesta, aged 22, a native of Tolosa (Guipuzcoa), has been provisionally released since last March, under 200,000 pesetas bail.

The ETA Military member, Vicente Aldalur Larranaga, has had a similar history. Turned over to the Spanish authorities in April 1980, Aldalur Larranaga has also been provisionally released since 25 May of this year.

118 Cases

Born on 14 June 1955 in Cizurquil (Guipuzcoa), and with a domicile in Azpeitia, the presume ETA member left his occupation as an upholsterer at the age of 20, according to police files, in order to "adopt that of a terrorist."

In 1976, he was chief of an ETA Military command operating in the San Sebastian area, and engaged in all types of holdups and assaults, from which he was amnestied at the end of 1977.

However, according to the police, he did not give up the weapons. On 13 April 1978 he set an explosive device in the Adegui business firm in San Sebastian.

The bomb exploded before it was planned to, destroying a large part of the building, and Aldalur Larranaga himself was hit by the shock wave and injured.

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He escaped in a Seat-127 vehicle but, a quarter of an hour later, he crashed into a fence on the Bilbao-Behovia freeway.

According to the police account, bleeding profusely from his face, the ETA Military terrorist then stopped a taxi, robbed the driver at gunpoint and headed for the French border.

At the international bridge at Santiago, the Border Police attempted to stop him for identification, but Aldalur Larranaga gunned the car's accelerator, broke the frontier barriers and entered France at high speed. The gendarmes captured him a few hours later at St. Jean de Luz.

Five days later, France agreed to the extradition of the presumed terrorist, and turned him over to the Spanish authorities in Hendaya. According to the police, for setting a bomb in a factory, stealing a car at gunpoint and breaking through the police checkpoint, risking the lives of the officials on duty, Aldalur Larranaga spent only a year and 1 month in jail. He has been on a provisional release since 25 May.

According to government sources, these two cases are not two isolated accounts. From 1 January to 30 October of this year, in other words, during the first 10 months of the year, the national high court of justice has released 116 other presumed ETA Military terrorists, one every 3 days, with bails ranging from 50,000 to 500,000 pesetas.

During the same period of time, the Civil Guard and Higher Police Corps anti-terrorist groups captured 394 members of ETA Military. Therefore, according to government sources, one out of every four ETA members captured by the state security forces does not enter jail, or spends only a few months there.

The situation is of concern to the state security forces. As one police officer told CAMBIO 16, "To capture a command takes years of investigation, thousands of hours putting two and two together and following minor clues which almost always turn out to be false. And, furthermore, it means that a large number of officials are constantly risking their lives."

But it is not only the state security forces that are concerned over the excessive ease with which the presumed terrorists reach the street. In mid-September of last year, the minister of interior, Juan Jose Roson, turned over a dossier of over 100 pages to the Council of Ministers, which reached the conclusion that more forceful measures had to be adopted to prevent these incidents from continuing to proliferate.

One of the measures agreed upon was that of alerting the state prosecutor, Jose Maria Gil Albert, so that in the future, before a presumed terrorist was given a conditional release, the judges would notify the Public Ministry of this, so that it could make the appropriate consideration of the matter.

Police and high-ranking government officials are of the opinion that the reform to the Penal Code of 6 May 1981, whereby the mere fact of belonging to a terrorist group may be punished with penalties of up to 12 years in prison, is not being implemented.

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For example, 2 months after this law went into effect, the police in Zarauz arrested Rosa Maria Gonzalez Murua and Maria del Carmen Urcola Ortiguella, presumed members of an ETA Military backup commando group.

The two presumed terrorists have been on the street since last October, despite the fact that, according to the police, they knew and were lending support to the San Sebastian Coast command headed by Miguel Antonio Goicoechea Elorriaga, alias "Txapela".

One of the terrorists, Rosa Maria Gonzalez Murua, had even built a "people's jail" at No 22 Autonomias de San Sebastian Street, according to the police, and both Gonzalez Murua and Urcola Ortiguella knew the exact location of the "Txapela" commando group: an apartment on the outskirts of Zarauz.

An official told CAMBIO 16: "These two terrorists were the ones who pointed out the commando group's apartment to us police."

The opinion of the judges regarding the release of over 100 presumed ETA members by the national high court of justice is radically opposed to that of the police.

Whereas high-ranking officials of the Judicial Branch avoided making statements on the matter, a magistrate from the national high court of justice, who asked that his name not be disclosed, gave categorical assurance that "no terrorist against whom convincing evidence has been brought has gone unpunished for his crimes, and in no instance has a sentence less than that stipulated in the Penal Code been given to such a person."

According to the same source, the judges have abided strictly by the laws. If the crime is in the Penal Code, the latter is applied. Hence, it is not true that the national high court of justice is not implementing the reforms made in the Penal Code last May.

It is definitely false that the judges have given provisional release to a single terrorist or citizen for whom there is rational evidence of criminal behavior. The magistrate with whom CAMBIO 16 conversed remarked: "The fact is that the judge, before making a decision to curtail the liberty of individuals, must be provided by the police with the necessary evidence. If that evidence does not exist, the 'presumption of innocence' stipulated in the Constitution acts to the benefit of the person being held, who cannot be put in jail. If a judge were to act otherwise, he would even be committing a crime."

According to the same source, the very guarantee that this country is a state of law is based on the fact that the judges release, with complete autonomy and at all times abiding by the laws, those individuals on whom there is no evidence of a crime.

He added: "It would be unjust for the national high court of justice to jail everyone sent to it by the police. Then, obviously, Spain would not be a democratic country; it would be a mere police state."

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The magistrate who was CAMBIO 16's informant has another argument against the claim that his colleagues are indiscriminately releasing terrorists. He comments: "Before making those claims, the police should have taken the statistics on jailed terrorists. They show that, at present, there are far more presumed terrorists in prison than during the last 5 years of the previous regime."

He observes: "Not only are there more terrorists in jail now than 5 years ago, but, in addition, an overall assessment of the sentences handed down by the national high court of justice demonstrates that the judges are acting with complete independence not only from the Executive Branch, but also from potential threats by terrorists."

He concluded by saying: "The judges could be afraid, like anyone else, but in the exercise of their office they do not accept pressure. And all this is true despite the fact that two judges, Jose Mateu Canoves and Miguel Cruz Cuenca, have been assassinated by terrorist gangs."

This Is the List

This is the list of the 118 presume ETA Military terrorists who, according to the Ministry of Interior, have been released by the national high court of justice during the past 10 months:

	Released	Bail
Jose Abalos Ochoa	April	100,000
Pedro Acha Albistegui	February	500,000
Jose Aguinaga Martinez	July	200,000
Jesus Aguirre Aguirrezabalaga	September	100,000
Jose Aguirrebarrena Ruiz	March	200,000
Alfonso Aisa Olcoz	July	100,000
Vicente Aldalur Larranaga	May	200,000
Joaquin Alfonso Martin	January	200,000
Ignacio Altuna Almendarain	March	200,000
Jesus Arandigoyen Ayerra	June	200,000
Miguel Arbeloa Suberniola	July	100,000
Felix Arcelay Iriarte	July	200,000
Fernando Arrausi Oliva	June	100,000
Koldo Arrese Garcia	July	100,000
Maria Arrieta Guridi	March	100,000
Jose Artabe Lizarreta	October	100,000
Manuel Ascargota Aguirre	August	100,000
Maria Azcarate Inchaurreondo	January	100,000
Jeronimo Azcue Arrizabalaga	September	100,000
Jesus Barbarin Ganuza	July	100,000
Manuel Becerra Oteo	June	100,000
Javier Bilbao Atucha	May	100,000
Maria Blanco Doborganes	April	50,000
Maria Bolumburu Zuazua	April	200,000
Francisco Calvo Enriques	June	200,000

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	Released	Bail
Antonio Carracedo Lorenzo	August	100,000
Pedro Castresana Herranz	June	100,000
Obdulia Cereijo Rodriguez	June	100,000
Rosa Corral Gallastegui	June	100,000
Miguel Diez Larena	March	200,000
Maria Domaica Maranon	April	without bail
Jose Dorronsoro Marzal	June	200,000
Santiago Echave Araquistain	May	without bail
Eusebio Echevarria Aldana	June	100,000
Miguel Echevarria Casas	January	100,000
Concepcion Echevarria Sustacha	July	200,000
Maria Egana Aramburu	May	without bail
Jose Eguiluz Sagastizabel	September	without bail
Juan Elizondo Bertiz	September	50,000
Luis Eriz Echevarria	January	100,000
Francisco Escribano Urquiza	September	50,000
Sebastian Esteibar Azcue	September	100,000
Antonio Fernandez Conde	August	100,000
Juan Fullaondo Betanzos	January	50,000
Emilio Gallego Tercero	January	450,000
Antonio Garcia Meitia	January	50,000
Francisco Garcia Fernandez	August	100,000
Maria Garcia Lana	January	100,000
Modesto Garcia Maranon	August	100,000
Joaquin Garde Orbaiz	April	without bail
Jose Garin Casares	May	100,000
Jose Gavina Portillo	September	50,000
Vicente Goitia Batiz	June	100,000
Pedro Gonzalez Alonso	April	100,000
Maria Gonzalez de Durana	July	100,000
Fidel Gonzalez Garcia	October	100,000
Rosa Gonzalez Murua	October	100,000
Fernando Goni Senosiain	July	100,000
Jose Guerra Carrillo	June	100,000
Fernando Guericabeitia Madariaga	October	100,000
Jose Heras Estebanez	March	75,000
Rafael Hormaechea Olazar	May	100,000
Jose Ibarrola Altube	July	100,000
Javier Inchaurraga Recalde	October	100,000
Jose Iribar Perez	July	100,000
Jesus Isasi Carranza	September	100,000
Daniel Iza Dorronsoro	January	100,000
Moises Izar de la Fuente	March	50,000
Serafin Jaca Arrizabalaga	October	without bail
Jose Larrate Aramburu	January	without bail
Jesus Larrazabal Barturen	January	without bail
Rosa Larrazabal Vazquez	June	100,000
Juan Lazcano Lazcano	January	50,000

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	Released	Bail
Maria Lazcano Otegui	October	75,000
Maria Lete Azaldegui	May	without bail
Ramon Leunda Aizpurua	April	without bail
Jose Lopez Apestegui	July	100,000
Victoriano Lopez Bengoechea	August	100,000
Jose Lopez Cano	January	100,000
Jose Lopez Domaica	July	100,000
Carmelo Lopez Sagastizabal	May	without bail
Francisco Lopez Torres	July	without bail
Jaime Lopez Valader	October	100,000
Fernando Mendiguren Lubian	July	100,000
Jose Mendizabal Irastorza	May	100,000
Antonio Manuel Mercader Gazteli	May	100,000
Arsenio Montes Sanz	March	75,000
Maria Monzon Martinez	September	50,000
Juan Moragues Oregui	April	without bail
Jose Odriozola Aguirre	September	50,000
Fernando Osta Delgado	June	50,000
Manuel Pastor Aranguren	February	without bail
Juan Perez Doval	June	100,000
Jose Plaza Zaldegui	January	50,000
Felix Prieto Echevarri	July	100,000
Eloy Ramos Arenal	May	without bail
Roberto Rebolleda Delgado	March	75,000
Juan Rego Vidal	March	100,000
Rafael Rodriguez Roldan	March	75,000
Jose Ruiz Vicandi	September	50,000
Juan Sagorritz Garro	July	100,000
Juan Sanz Eguiluz	March	75,000
Vicente Sarries Larrea	September	100,000
Nekane Soraluze Celaya	October	without bail
Maria Soroziz Ormazabal	June	100,000
Pedro Ugarte Bolivar	October	100,000
Ricardo Ugarte Goicoechea	July	100,000
Bundin Unn Elisabeth	May	250,000
Maria Urcola Ortiguela	October	100,000
Luis Uriarte Legorburu	June	100,000
Juan Urrusolo Santos	September	100,000
Martin Vega Salinas	February	100,000
Pedro Villanueva Herrera	January	50,000
Luis Vivaracho Cervero	July	100,000
Inigo Zabala Eguiluz	February	50,000
Roberto Zabala Zamalloa	March	100,000
Armando Zabala Bilbao	September	without bail
Ignacio Zumarran Mendoza	March	75,000

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POLITICAL

SPAIN

UCD DEBACLE IN GALICIA, POSSIBLE CONSEQUENCES, REVIEWED

Madrid CAMBIO 16 in Spanish 2 Nov 81 pp 46-53

[Article by Antxon Sarasqueta: "Electoral Pistol Shot"]

[Text] President Leopoldo Calvo Sotelo is caught between the "natural majority" or "great right" claimed by Alliance leader Manuel Fraga more forcefully than ever since his electoral victory in Galicia, and the moderate, reformist center which PSOE [Spanish Socialist Workers Party] has been attempting to lure away from UCD [Democratic Center Union] since its 29th National Congress.

This situation has caused an exacerbation of the crisis in the government party which, since the Galician defeat, has been embroiled in mutual accusations between the government and the "apparatus" controlled by Suarez.

Meanwhile, in his statements to CAMBIO 16, Manuel Fraga has expressed his conviction that his offer will be accepted by Calvo Sotelo and that the coalition between UCD and AP [Popular Alliance] is the only "salvation" for the Spanish right against the aggressiveness of the Socialists.

And while the Galician elections have had an inevitable national effect, from the standpoint of that region the government's delegate in Galicia, Dr Garcia Sabell, analyzed the first autonomous elections for this magazine, indicating the need for a stable government on both the regional and national levels.

The aftermath of the Galician elections has spread to the parliamentary debates on NATO, and has had an effect on the leading political parties and the government, which are already moving on the basis of electoral dynamics. According to the Alliance leader, Manuel Fraga, the general elections cannot be over a year away, and the top-ranking PSOE leaders have, in private, placed them within that period.

Meanwhile, the president of the government, Leopoldo Calvo Sotelo, assured a group of newsmen, including a correspondent from CAMBIO 16, that there will be no general elections until 1983. However, the latest information obtained since the Centrist defeat in the Galician elections indicates the fall of 1982 as the most likely date.

The Galician election results have entailed a debacle for the UCD party and for the government which, at its Executive Committee meeting and in the next one called for 2 November, are seeking a solution of change that will enable the Centrists to recover their positions.

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Amid this "mare magnum" [great sea], there persists the battle between Calvo Sotelo, who is attempting to reinforce his leadership in UCD, and former President Adolfo Suarez who, according to information obtained by this magazine during the last meeting of the Centrist Executive Committee, went so far as to threaten to leave the party if UCD "became rightist." In concrete terms, this Suarist story assumes a pact with Alliance leader Manuel Fraga.

At the aforementioned meeting, at which a harsh self-criticism was made concerning the Centrists' resounding defeat in Galicia, Landelino Lavilla, head of the Congress of Deputies and visible head of the Centrist Christian Democrats, in opposition to the Suarez proposition, upheld the need to undertake a change, an opening of the party, as a last alternative which he seconded. Neither Miguel Herrero de Minon nor Jaime Mayor Oreja, individuals who have taken a stand along the same line, intervened in response to this comment.

This being the case, Calvo Sotelo, who had just made a decision with a high political price over the short term among the more progressive Centrist sectors, but with a major strategic significance regarding the general elections, namely, the dismissal of the general manager of RTVE [General Directorate of Radio Broadcasting and Television], Fernando Castedo, at their request, did not disclose any of his key decisions concerning the future of the party and the government.

However, based on the direct reports obtained by this magazine, the president of the government plans to make a cabinet shift shortly after the parliamentary debate on NATO, which ends this week, and a deepseated change in government before the next general elections.

According to the most direct accounts received from Moncloa Palace, one of the individuals who would be affected by the cabinet shift is said to be the minister of labor, health and social security, Jesus Sancho Rof.

CAMBIO 16 has learned that President Calvo Sotelo recently told former President Adolfo Suarez that the time planned for a cabinet shift was after the parliamentary debate on NATO.

Taking the Calvo Sotelo-Suarez pulse, the backing from the Centrist party head, Agustin Rodriguez Sahagun, for the head of the government, requesting Castedo's dismissal from the RTVE management, has been interpreted in political circles as a ploy won by the supreme government leader aimed at obtaining the Centrist leadership.

But one of the obsessions of the main political parties, and most particularly of the government, is that concerning the Galician election results. "How could we have lost so dreadfully?" asked some of the attendees at the Centrists' meeting in a hotel on the outskirts of Madrid.

The offers that were available in the Galician voting were three: a change to the right, or the left, and continuity of UCD. Selected by a majority in Galicia was the change in favor of a euphoric Fraga, who received CAMBIO 16 shortly after the results were learned, and who analyzed them in this way:

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"It was a vote out of the American book: What happened to the extremes on both sides? Ignored! Excluded! From Communism to those in the New Force, they were crushed! What happened to the nationalists? They were reduced to minimal proportions."

Amid laughter and obvious signs of satisfaction, Manuel Fraga went on to say: "What happened to the Socialist Party? As you can see, it has proven possible to be contained; because Socialism has grown vegetatively, but we won over it in all the big industrial cities."

But what is most important to Fraga is that, "For the first time in Galicia a government has clearly lost elections;" something which, in his opinion, means that "The famous mechanisms of the government which carry so much weight, do they not?, have now begun to fail."

The UCD leaders themselves are in partial agreement with this analysis by the Alliance leader, because it was the head of the UCD, Agustin Rodriguez Sahagun, who claimed this very week that, "Fraga's success may be due to the fact that he managed to give an image of change."

It was, to be exact, Rodriguez Sahagun and the UCD secretary of organization, Jose Ramon Caso, who reflected the conclusions of the Centrist self-criticism. In this connection, the mistakes of the government party itself "on quite different levels" were taken up. In Moncloa, there were some to blame: the Centrist division in Galicia and, more concretely, the faction headed by the Coruna leader, Jose Luis Meilan.

The UCD's Shortcomings

These are some of the UCD's shortcomings which had a negative effect on the Centrist results, according to its secretary of organization, Jose Ramon Caso, spokesman for the Centrist executive body:

Delay in the opening of the election campaign.

Absence of a leader, a regional figure with charisma, which was one of the keys to Fraga's success.

The results were also a tug at the government's ears.

A change must be offered: "We cannot become producers of the crisis."

"It was impossible to land in Galicia with all the ministers during the past 2 weeks. That was detrimental."

"It was impossible to end a party crisis 10 days before the elections, because otherwise this party would have no credibility."

"We could not praise our competitor (Fraga) and then attempt to show that they were different political offers."

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As some of the government's top-ranking leaders admitted to this magazine, even during the Galician electoral period, after Galicia the troubled waters will return to a party which has not finished becoming centered, despite the fact that this is one of its philosophical principles.

The Socialist Party has taken advantage of the occasion (the center's electoral disaster in Galicia) to set UCD in the direction of the Fraga right.

Without "succumbing to the dynamics of tension," as he remarked a few hours after the PSOE Congress, its secretary general, Felipe Gonzalez, admitted that the government's shift to the right would benefit "a moderate, firm entrenchment of the PSOE."

That is something which the Socialist leadership considers essential for winning the next general elections. Felipe Gonzalez stressed: "That great right direction is benefiting the PSOE."

The PSOE's own strategy prompted its secretary general to respond to CAMBIO 16, in one of its questions, that he advocated including independents on the Socialist Party's electoral lists.

As part of the new Socialist strategy of occupying more extensive electoral space, aimed at the more moderate sectors which turned out for the center in the last elections (with its progressive offer), the PSOE, in addition to the independent candidates on its lists, is attempting to promote the image of a "sympathizer" as a way of cooperating with the party without a direct involvement with the Socialist militancy.

Thus, the president of the government, Calvo Sotelo, is being pressured by the left, by the Fraga right and by the most progressive sector of UCD, with a very difficult personal situation for surmounting this crisis, increased by the serious commitments of the government during the coming months. There is, for example, the case of the trials of 23 February, concerning which the chief executive has expressed optimism in a harsh sentence from the military courts for those responsible for the coup d'etat.

In his private meetings, President Calvo Sotelo has also claimed that he will be able to dominate the party and take over its leadership in a strong manner within a few weeks, in view of the opportunity that he has to use the economic resources and those of power.

And while the Calvo Sotelo operation would appear to facilitate a meeting with the Alliance leader, Manuel Fraga (who since the Galician elections has striven to give an image of greater moderation), his closest collaborators, of a more progressive line, insist that the offer which he will head in the next elections is one of a broad center, including the most progressive sectors of UCD.

Thus, a period of negotiations is opening for two factions, involving Calvo Sotelo with Manuel Fraga and with the most progressive sectors of UCD, which might be headed by Adolfo Suarez who, in order to combat the Socialists in the center, will have to curb a tempting offer to the moderate and reformist sectors.

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On 2 November, at the Centrist Executive Committee meeting, the pistol shot starting the final phase of this Centrist battle will sound, and its finish may even be a special party congress and, as a lesser evil, a "special" meeting of the political council of a UCD that is seeking change in order to survive.

Ordonez, Uncomfortable

A change which, in the opinion of some, will inevitably have the price of the departure of certain Social Democratic deputies, including former Minister Fernandez Ordonez, someone who, moreover (as has been revealed again in the latest situations involving TVE [Spanish Television] and NATO) is seen as being increasingly more uncomfortable in UCD.

But even some of Fraga's followers and the most conservative sectors suspect that a broad center electoral front may perhaps not be benefited, when it is time to vote, by the departure of Fernandez Ordonez, and, of course, much less so after a break with Suarez. It was Fraga himself who told this magazine, upon referring to these UCD members without mentioning their departure, that "the time has come for them to be in the third rank, not the first."

A less cautious language has been perceived among the Centrist movements. Comments such as, "the swords are unsheathed and cannot be retrieved again," which the CAMBIO 16 correspondent heard personally from an active Centrist deputy of the conservative Christian Democratic sector, are an authentic expression of the manner that is being observed at present, behind the scenes of UCD.

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SPAIN

AP'S FRAGA ADVOCATES CENTER-RIGHT UNDERSTANDING TO HALT PSOE

Madrid CAMBIO 16 in Spanish 2 Nov 81 pp 46, 47

[Interview with Manuel Fraga; date and place not specified]

[Text] With Manuel Fraga at the present time, there are hardly any alternatives other than to discuss his "loves and enmities" regarding UCD [Democratic Center Union] and the president of the government.

CAMBIO 16: After the Galician victory, how do the negotiations and a possible coalition with UCD appear?

Manuel Fraga: There has been a very subtle proposal from the UCD Social Democratic sector, saying "no" to the pact, and that we should govern in Galicia alone. We have clearly stated that we wish the other (the natural majority); not without conditions, of course.

C 16: What conditions?

M.F.: The reasonable ones. They would be related 90 percent to Galicia and the other 10 percent to a general national proposition, the latter associated more with the next general elections than with anything else. But not as they are saying thereabouts: Look at Fraga asking for a vice presidency! That is the only thing for which I shall not ask. The serious things have been planned, those involving a good government for Galicia and the general involvement from now until the next general elections.

C 16: A coalition for after the general elections?

M.F.: Coalitions which are not made before elections are not worth anything. One cannot say: You go along on the street, and we shall have all the advantages of power. And if you survive, then we shall make a pact. That is out of the question; it is immoral and unjust.

C 16: Would the pact include the reform of the electoral law?

M.F.: Well, not necessarily. I attach so much importance to Galicia that the pact would be solely and exclusively for Galicia and by Galicia. As for the rest, take anything you want from it.

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C 16: But you have decided to extrapolate the Galician results for the rest of the country, haven't you?

M.F.: I am absolutely determined not to use this in the negotiations. What I do say is: It's all right if they are extrapolated! Right now, I would be foolish if I claimed that the same thing would happen in elections in Guipuzcoa, but those who do not realize that this (winning) could take place tomorrow in 30 provinces or less may be far more foolish. And that is quite serious, because I know what is starting here now (and with gratified laughter he shows the reporter letters and telegrams on the desk which have arrived from all over Spain).

C 16: Do you think that Calvo Sotelo will call early general elections?

M.F.: The UCD's lack of social entrenchment is widespread all over Spain. UCD has operated owing to the fact that, at a given time, it has managed the loyalties to the established power, using personal arguments and manipulating the state's power. In Galicia, it has been disgraceful, starting projects without a budget, with its ministers laying cornerstones...but, of course, all that is finished. It has become increasingly evident that they are left in the lurch, as the saying used to go.

C 16: We are talking about early elections.

M.F.: Yes, in that regard, I do not think that the remedy is early elections. On the contrary, the logical reaction would be to ask why we are in this situation, and how we shall emerge from it, something that would require time. I say, let's plan the next elections with a certain amount of intelligence, in all senses of the word intelligence, for which there is 1 year and no more.

C 16: Are you among those who think that without the great right or a center-right option....?

M.F.: I refuse those definitions. I call that a "natural majority" because what the people want is a better living, and someone unemployed or his family will vote in the next elections on the basis of this question: Who offers me hope of getting out of this situation? And I don't like those expressions for objective reasons, not because I am afraid of calling myself a rightist.

C 16: I was asking you precisely about a defeat of the right against the Socialists, and whether that possibility would increase if they went to the polls divided.

M.F.: If the Socialists came to power they would do so, more than in France, as a result of a defeat of the right rather than as a result of their own drawing capacity. The Socialist Party itself has been one of integration. In 1977, the PSOE [Spanish Socialist Workers Party] had 11 Socialist Parties, including something as serious as that of Tierno-Galvan, for example. Now, the PSOE has nothing left but Rojas Marcos' Andalusian Socialist Party, and I have a feeling that it will not take the PSA long to enter the great integrated mosaic of socialism as well.

C 16: Should the right follow in those steps?

M.F.: Among the right, there will have to be some type of integration, and if not, they (a reference to UCD) will be responsible for what could be an unnecessary defeat.

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This does not preclude (and I say this because some UCD members think and say the same thing) the fact that some sectors of UCD perhaps need not be situated there.

C 16: Are you referring to individuals such as Oscar Alzaga, Miguel Herrero...?

M.F.: I do not care to give any names.

C 16: Is it not true that among these sectors an understanding between you and Calvo Sotelo is considered logical?

M.F.: I have the impression that my availability has been evident to President Calvo Sotelo at all times. Of course, from the standpoint of logic, there is obviously no reason for this understanding to pose problems. Now then, logic does not always govern politics, at least it does not always govern those of UCD and the members of its apparatus. Because, of course, the things that have been done and said by gentlemen such as Agustin Rodriguez Sahagun (head of UCD), Rafael Calvo (Centrist secretary general) and a strange Mr Caso (secretary of organization), who has shown up there, have had nothing to do with logic either.

C 16: Do you still suspect, as you did this summer, that there might be some movement in UCD willing to make a pact with the PSOE?

M.F.: That continues to be mentioned by some people. I, as a person very grateful to providence, do not believe in such desires. I am addressing you now as a person and as a party, not as a Spaniard nor as a Galician. I could say, in the next elections: Gentlemen, those who vote for UCD already realize that they are voting for Socialism! I can say right now that they number 200 deputies. And I don't think that the will of providence would reach that point. From the standpoint of general interests, it would be a real disaster. I do not desire it. But, after all, there may be a few foolish ones who put their personal interests above those of their party, even in this type of matter

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MILITARY

FRANCE

TRANSPORTATION WEAKNESS OF NEW BRIGADE NOTED

Paris VALEURS ACTUELLES in French 16 Nov 81 pp 37-38

[Article by Frederic Pons: "Limited Assistance"]

[Text] Completing the two interventionary divisions, a brigade was created in the southeast. It lacks transportation.

Mr Charles Hernu talks about "foreign assistance" forces, and no longer about action or intervention. But he wants to "harden" the tool. In other words strengthen it. Because the potential adversary of such units has also "hardened" itself. It is using up-to-date light armament, modern armored vehicles and anti-aircraft missiles.

The strengthening of our "assistance forces" had been approved by Mr Hernu's predecessors. It found expression last 31 July in the setting up of a 31st brigade which just engaged, at the end of the month of October, in its first joint maneuvers south of Ajaccio. This exercise, called "Farfadet," brought out the abilities as well as the weaknesses of forces of this type.

The 31st brigade (based in Aubagne) under the command of General Paul Lardry (who is also commander of the Foreign Legion) comprises two regiments of professionals: the legionaries of the 2nd foreign infantry regiment (REI) and the infantry soldiers of the 21st infantry regiment of the navy (RI-Ma). To support it, something really big: a squadron of AMX 30 tanks of the 501st combat tank regiment of Rambouillet. In all, less than 3,000 men.

This brigade, an outgrowth of the projects of General Lagarde (former general chief of staff of the land army) is an addition to the other two major intervention forces: the 11th paratroopers division based in Toulouse (12,500 men, a dozen regiments, 55 percent professionals), which is under the command of General Jean Schmitt; the 9th infantry division of the navy (8,500 men, 50 percent professionals, half a dozen regiments), under the orders of General Raoul Brediche in Saint-Mala.

Capacity. Backed by squadrons of the tactical air force and naval aviation, supported by three squadrons of helicopters of the 2nd regiment of combat helicopters, the 31st brigade succeeded perfectly well in its air-land-sea exercise: the disembarking on Corsican beaches of 2,000 men, 14 AMX 30 tanks and 250 vehicles,

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thanks to the transport ships supplied by the navy, itself represented by the aircraft carrier, "Clemenceau," and two dispatch vessels. The brigade's working principal had been identified in its instructions: "muscle up" the intervention forces thanks to an armored and amphibious comprehensive unit "capable of being involved in foreign action, especially in the Mediterranean."

Two recent experiences have emphasized the efforts to be made. In Lebanon, the units of the French blue helmets were overtaken by the arming of the Palestinian militias. In Chad our paratroopers had nothing to put up against the multiple rocket launchers of the rebels, army by the Libyans; their light automatic machine guns (AML) with a 90 barrel could not penetrate the armor of the T 54 tanks; they were almost unprotected against the MIG 23 of Soviet manufacture.

Weaknesses. Operational on land, the 31st brigade lacks the indispensable means of transportation. The navy, for landing in Corsica, could supply it only with three available ships for landing. With two times that many ships, it still would have taken 10 days to land the entire lot of the brigade's armored vehicles. Thus there is no connection between the navy's transportation capacity and this single unit.

For airborne troops the weakness is identical. Only the Leopard element (400 men, two combat companies) can be carried off by air within 6 hours by the three DC8s or the military air transport Transalls. The latter has a carrying capacity of 300 tons in 24 hours to a distance of 5,000 kilometers. (Soviet capacity 20,000 tons, i.e., a division.)

This transportation undercapacity leads the military men to call for the requisitioning of civilian means in times of peace: airline companies, merchant marine, SNCF (French National Railroad). Not forgetting the risks which that can involve: potential blockades, union resistance, control by the Communist minister of transportation, Mr Charles Fiterman.

Equipment weaknesses also. The 21st RIMa is awaiting delivery of the AMX 10 armored vehicles to replace its AML90s, now outmoded. The AMX 10s with wheels are armed with a 105 gun, clearly more powerful and having a greater range than that of the AML. The 21st RIMa will also wait for the 120 millimeter mortars, the battery of 155 guns, etc. Similarly, the 2nd foreign infantry regiment has not received for stock the entire number of its front-armored vehicles (Vab), troop carriers mounted on wheels: it is still equipped with "tactical delivery vans."

The foreign assistance forces' problems is equipment and in heavy transportation by sea or air (despite the production of 24 new Transalls which henceforth can be provisioned in flight) will come up again in the next military planning exercise. Two years hence.

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