



SPANISH CONFEDERATION OF EMPLOYERS' ORGANIZATIONS

A stylized graphic of the Spanish flag, featuring three horizontal stripes of red, yellow, and red, with a textured, dotted appearance. The graphic is positioned behind the title text.

STATE OF PLAY OF THE SPANISH FOLLOW UP OF  
THE PRIORITY OBJECTIVES ESTABLISHED AT THE  
LISBON SUMMIT IN MARCH 2000

February 2003

## **TABLE OF CONTENTS**

	<u>Pages</u>
Introduction.....	1
Budgetary and tax policy .....	3
Modernization of the labour markets.....	5
Efficiency in education and training systems as the key to competitiveness and employment .....	9
Integration of financial markets.....	11
Boosting business activity .....	13
Information Society .....	14
Research, development and technological innovation.....	16
Spanish strategy for sustainable development.....	17
Railway transport.....	18
Postal services.....	19



## INTRODUCTION

Due to the mobility of resources, communications and transport are spreading and becoming less expensive, while financial markets are being integrated, and these are the highlights in the construction of a more homogeneous and, hence, more globalized world economy.

In this context of globalisation, it is urgent to ask what competitive strategies the world's different regions can adopt. UNICE and its member organizations have evaluated Europe's competitive strength by benchmarking it against other highly developed areas of the world such as Japan and the United States. The physical, technological and human capital and infrastructure benchmarking studies have shown Europe to be poorly placed, a fact that has been noted by the governments of the European Union countries, and the response to this is structured around what is now known as the Strategy of Lisbon.

The Spanish Confederation of Employers' Organizations (CEOE) is aware of the need to preserve the competitiveness of the productive apparatus as a means of overcoming the apparent contradiction between European lifestyle and the increasingly more demanding conditions of the world markets. Furthermore, the CEOE puts forward proposals for enhancing the competitive situation of the Spanish economy, and which we believe could also apply to the rest of the EU countries.

The need to recover the Strategy of Lisbon is even greater in the presence of the enlargement of the European Union and the need to preserve a single market. In this respect, there are two types of key actions. First of all, those designed to prevent measures of equivalent effect on intracommunity trade. These also include the public subsidies and tax distortions that seek to procure a comparative advantage, not on the basis of productivity increases, but by breaching the tax and regulatory agreements signed between the countries. Maintaining budgetary stability is a guarantee that no country will free-ride by enjoying the advantages of stability afforded by Economic and Monetary Union membership, yet without making its contribution in terms of budgetary stability.



The Enlargement of the European Union must be carried out without impairing the Strategy of Lisbon, a strategy that this Confederation strongly advocates. Europe must face up to its historic and moral commitment to the Enlargement countries while complying with the Strategy of Lisbon. The CEOE considers that these countries must comply with this budgetary discipline before they become members, and also with the tax commitment implied by such discipline, which is part of the so-called community acquis that new members must accept without reservations. The Enlargement must lead us to *more* Europe, to a *more* European Europe, to a *deeper* Europe. To illustrate this with an example, one should recall that the structural aids are one of the gains derived from the increased trade inherent to the Single Market, and they are used to enhance the Single Market, making this possible by extending the transport and communication infrastructures essential for the effective existence of an internal market. According to the doctrine that has spurred the existence of the Structural Funds, not only must they be maintained but enlarged after an extension of the market such as the one envisaged at present. Likewise, the markets of the new countries must be opened up and deregulated in the same conditions as in the current Member States. As for tax and budgetary issues, free competition must not be distorted by State Aid or practices of an equivalent effect to trade restrictions.

The strategy adopted in Lisbon seeks to make Europe an area that is competitive and capable of creating employment. To that end, it proposes two types of measures: on the one hand, those designed to improve specific, sectorial or structural aspects of the productive apparatus that either act as "bottlenecks" of development or else prevent such development from taking place faster. It also addresses horizontal or general issues that have a significant bearing on the whole environment in which the activity takes place, encouraging it in a general rather than specific sense, without aiming to direct its growth, but instead to allow and foster it. Both are addressed in this document.

***Access to the national Lisbon strategy reports 2003 of the industrial and employers federation of the EU-member states, Norway and the UNICE-report "Time is running out, action is need now" is at : [www.unice.org/lisbon](http://www.unice.org/lisbon)***

***The Spanish Employers Organisation (CEOE) is a member to UNICE, the leading independent organisation representing European business. UNICE's members are 35 central industrial and employers federations from 27 European countries, speaking for more than 16 million companies, the vast majority of which are small and medium sized.***



## **BUDGETARY AND TAX POLICY**

### **➤ Compliance with the Stability and Growth Pact commitments**

*Achieving stable public finances is essential for guaranteeing business activity and its expansion. In this respect, the periods of economic slowdowns are a good time to test the robustness of the Agreements, in particular those related to the Stability and Growth Pact. The fact is that this test has produced relatively poor results in terms of compliance with the agreements, and the European business community does not share the opinion that the Pacts' provisions are too inflexible.*

The so-called “Strategy of Lisbon” seeks to make Europe an area that is competitive and capable of creating employment. To that end, it proposes two types of measures: on the one hand, those designed to improve specific, sectorial or structural aspects of the productive apparatus that either act as "bottlenecks" of development or else prevent such development from taking place faster. It also addresses horizontal or general issues that have a significant bearing on the whole environment in which the activity takes place, encouraging it in a general rather than specific sense, without aiming to direct its growth, but instead to allow and foster it. This second type of measures relate to budgetary and tax issues, most noteworthy being those designed to guarantee macroeconomic stability.

Such stability of public finances is essential for maintaining the Euro Zone's growth prospects, not only due to its effects on the currency's exchange or interest rate but, above all, insofar as it generates confidence among European and international players. Compliance with the Pacts also serves to frame governments' public finance actions, as they cannot run up a deficit or borrow to react to short-term pressures or electoral commitments. In that respect, the Stability Pacts envisage a different approach to the way in which Public Administrations act, and this approach must be applied at all levels of government and in the countries. Otherwise, the budgetary stability achieved by the national (central or federal) Administrations might be distorted by the actions of the Territorial Administrations or the public business sectors that are not subject to such tight budget control. Furthermore, extending the budgetary stability commitments to all the countries is a way of trying to prevent some administrations from acting too "lightly" in tax policy. To a large extent, the single currency stability pact hinges on the credibility



of the public sector sustainability plans; if certain countries fail to comply with this budgetary stability or the fiscal discipline derived therefrom, it is those who do not comply who have to bear the costs of the whole Union.

The European Union has demonstrated that it is capable of doing its homework by giving the go-ahead to the enlargement. However, if the process is to be completed successfully, and to everyone's benefit, the EU, in general, and the European Commission, in particular, must ensure that, from now on, the new Member States comply strictly with EU precepts, many of which form part of the Lisbon strategy.

The whole of Europe must make a big effort to ensure that, on the one hand, the candidate countries reach the EC convergence levels (which means that the candidate States will have to grow more than the EU and apply certain structural reforms that cannot be avoided, even if their inhabitants do not understand them) and, on the other, that the existing cohesion between the present EU members is consolidated.

Spain stands both to gain and lose with the enlargement. It stands to gain insofar as the new States that join the Single Market will bring with them a potential increase in consumers, but stands to lose insofar as the removal of tariffs will bring about stiffer competition, making it necessary for resources to be further specialized and better assigned, as well as having to compete with lower labour costs. In this respect, the Spanish economy must become more competitive, which unavoidably entails applying the commitments accepted in Lisbon.

➤ **Energy tax**

The ECOFIN Council of Ministers has established the harmonization of minimum energy tax levels as one of its priorities for the next months. One of the principles that the Commission invoked in its Draft Directive (COM/97/0030 FINAL) was that the introduction of new provisions should not prompt an increase of the overall tax burden in the member States. Specifically, article 1.2 of the 1997 Proposal for a Council Directive established that the Member States would endeavour to avoid any increase in their overall tax burden and, in particular, *“to reduce at the same time statutory charges on labour.”*

Taking into account that the majority of the minimum tax levels established in the last wording of the Proposal exceed Spanish energy tax levels and that, as a consequence, the overall tax burden in Spain would be increased, if the Directive was approved, the Spanish government would have to take into account the principles originally invoked by the Commission and proportionally reduce the tax burden on the work factor.



## **MODERNIZATION OF THE LABOUR MARKETS**

The most striking feature about the recent evolution of our job market has been the job creation process, which has gone further than in our neighbouring countries, as borne out by the sharp decline in the rate of unemployment. Despite these considerable efforts, the Spanish employment rate in 2001 was 55%, which was lower than the EU average of 64% and way below the ambitious goal of achieving a rate throughout Europe of 67% in 2005 and 70% in 2020 (60% for women). A key feature of this evolution is the number of women who have joined the Spanish job market in the last few decades, such that, although the rate of employment among Spanish women is still much lower than the EU average, it is already on a par with this average in the 20-29 year age range.

*The ambitious employment and activity rate objectives proposed at the Lisbon summit (March 2000) and reinforced at the Barcelona Summit (March 2002) entail making our labour markets more efficient. In the case of Spain, this modernization should focus on certain fields where the country's significant deficits are hindering the achievement of such objectives. These are as follows:*

### **A. Improving the adaptability of companies and workers**

On the one hand, employment regulations matter greatly when deciding what flexibility mechanisms companies use to adapt to the change. Past experience shows that the lack of appropriate instruments triggers imbalances that have a negative bearing on employment objectives, even during periods of healthy economic growth.

The business commitment involves striking better balances in the Spanish employment arena, making stability a key value for individuals and companies alike. That is why several employment reforms have been launched in recent years, and others must follow, in the light of the experience obtained from previous reforms.

What is required, therefore, is to analyse and continue reforming any employment regulations that afford companies greater flexibility and the capacity to adapt, while at the same time fostering greater and more stable employment.

*In this respect, it will be necessary to consider elements such as the framework of stable employment, as well as the costs of terminating contracts, or part-time employment schemes.*

At the same time, human resources management keeps on producing new instruments that endeavour to make a company's workers more involved with its objectives, strategy and culture and in improving its productivity. Many of them



often come up against hurdles, in the form of conventional regulatory models that date back to the distant or not so distant past.

*Therefore it is essential to adapt those frameworks to the new trends to enable such trends to penetrate more deeply in our companies' organizational culture.*

## **B. Deficit of skills and employability**

Apart from the initial knowledge that we are given by the educational system, it is crucial to strengthen workers' capacity to continue being employable. The market's constant state of flux and, in particular, the revolution that the information society is triggering, are not only prompting the appearance of new jobs that call for new skills, but also major changes in existing jobs.

This context of change requires an approach in which, rather than specific knowledge, what initial education and the educational system must provide are instrumental capacities that prepare us for lifelong learning. The challenges of today lie in achieving a culture of lifelong learning, and in having sufficient means and tools for that purpose.

*In this respect, certain education and training policy problems persist, such as the lack of coordination between the different educational and training systems, or the gap that still exists between these policies and the market's needs that hinder both the appropriate qualification of our human resources, and the transparency needed for human resources to be allocated more efficiently to the different sectors of employment.*

## **C. Adequate and efficient allocation of human resources on the labour market. Mobility**

The nature of employment and unemployment in Spain has given rise to a paradox, namely that while there is still a high number of unemployed, employers in specific areas, sectors or occupations are having a hard time finding staff and filling their vacancies. Neither professional nor geographical mobility, which are very low in comparison with other countries of our environment, are doing enough to correct these imbalances.

The labour market's structural problems (regulatory barriers that limit the mobility and even the very unity of the labour market, employment brokerage services' failure to liaise with one another, or cultural, linguistic, housing or socio-economic factors) may lie at the root of this phenomenon which, at any event, constrain both individuals' opportunities to develop their professional potential and the proper assignment of human resources.



*Therefore action must be taken to tackle these issues, special emphasis being laid on the modernization and efficient coordination of brokerage services.*

#### **D. The model of social welfare and its effect on competitiveness and employment**

Over more than one hundred years, Spain has built up a Social Welfare system that affords its citizens, especially the elderly, an unprecedented level of welfare and economic independence positively valued by the whole of society.

The challenge for the future is to reliably tackle the task of making the future maintenance of the system compatible with economic growth and a high level of employment.

To this end, since 1997 several reforms have been implemented to design a clear and appropriate financing structure in order to guarantee the system's viability, faced with the challenge of demographic evolution and the achievement of a high level of employment. As far as demographic growth is concerned, measures are required to soften and offset the negative effects of aging. Some such measures have already been enacted, such as the gradual and flexible retirement reforms that derived from the Agreement for the Improvement and Development of the Social Welfare System of April, 2001, which basically aim to encourage older workers to remain on the labour market, in order to extend their working lives.

Additionally, other measures such as the allocation of a Reserve Fund with surplus employers' contributions will contribute to alleviate the effects of the rates of economic dependence linked to this aging.

*Furthermore, as other countries of our environment have done already, we must open an in-depth debate about the reform of complementary social welfare systems, in particular about group schemes, because the last reforms gave rise to a model that has structural problems and is very costly, adding further costs to the already high employers' contributions to the public pensions system.*

#### **E. Indirect costs of the work factor**

Another great challenge facing our social welfare system derives from achieving a high level of employment. Tackling that challenge entails providing stable employment for the younger segment of the population, and for population groups with lower activity rates, such as women. In other words, increasing our activity and employment rates.

Social Security System financing policies can help to achieve this objective. The amount budgeted for employers' contributions (which are among the highest of the European Union) in 2002 (46,629 millions euros) is a commitment that raises labour



costs, thereby making it harder for Spanish products to compete on international markets, and penalizing job creation.

*The balanced appropriation of the Social Security System budget surplus to allocate a Reserve Fund, improve services and permit a generalized reduction of employers' contributions will go a long way to enhancing the viability of the Social Security System. Recent experience shows that these types of measures are efficient at creating employment.*

## **F. Equal opportunities**

Another of the strategic objectives agreed after the Lisbon Summit refers to the promotion of equal opportunities, including the reduction of professional segregation, and measures to reconcile family and professional life. In this regard, Spain still lags some way behind the European Union. The need to steadily raise the level of employment in Spain and Europe also implies paying special attention to the achievement of this target.

Furthermore, note should be made of the significant efforts made within the Spanish labour market to foster the integration of disadvantaged population groups, as mirrored by the rising activity and employment rates among such groups, and to which the different agreements signed by the social partners have contributed to a large extent.

These issues, however, must be tackled on a global basis, without forgetting that employers alone should not be made to bear the full brunt of any measures that are enforced, and which must be combined with other measures that provide the supporting infrastructure necessary to guarantee their success.

*Advances achieved in recent years include the measures implemented to promote crèche services, create support services for the family and workers with dependent relatives, and vocational training and guidance programmes for women with non-shared family responsibilities. Even so, Spain is still a long way behind other EU countries on this issue and the efforts made to date are still insufficient.*



## **EFFICIENCY IN EDUCATION AND TRAINING SYSTEMS AS THE KEY TO COMPETITIVENESS AND EMPLOYMENT**

The Lisbon summit established a series of objectives in order to adapt education and training systems both to the demands of the knowledge society and to the need for an improved level and quality of employment. The objectives that apply directly to the Member States (as opposed to those geared to the European Union Institutions themselves) include the need to increase the annual per capita investment in human resources, halving the number of people with only lower-secondary level education who are not in further education and training, and establishing learning partnerships between schools, training centres, firms and research facilities.

*The different mechanisms implemented in the field of education and training must be considered in the context of lifelong learning. The Qualifications and Vocational Training Act of June 2002 is a significant advance in this respect.*

Other legislative initiatives include the University Act and the Quality of Education Act, enacted in December 2001 and December 2002, respectively.

### **A. Raising the average level of education. Reduction of the school drop-out rate. Reinforcement of secondary education systems**

The level of education of the Spanish working population has grown significantly over the last few years.

In spite of this, 30% of the working population only has primary education and, according to Eurostat, early school-leaving rates were at around 28% in 2000, exceeding rates in other countries of our environment and the European average, which is 18.5%. Both figures are far too high, in comparison with the unskilled job vacancies that exist on the labour market. Besides, and in line with what had happened in the European Union as a whole, between 1995 and 2000 employment rose 6% in the sectors that require a high level of education (such as computing, education, health, social action, etc), more than twice as much as other sectors.

*One of the challenges facing the Spanish labour market in terms of qualifications is to raise the working population's average level of education, increasing the proportion of people who finish higher-secondary level education (up to 18 years). At the same time, greater efforts should be devoted to promoting vocational training in order to strike a greater balance between different levels of qualification.*

### **B. Improvement in the distribution by specialties**

The distribution by specialties is not homogeneous either. The rate of unemployment among Social Sciences and Law graduates, for example, is much higher than among



engineering graduates. There are also shortages of engineers in specific specialties of vocational training.

In the field of communication and information technologies, another challenge that remains is to provide students with basic skills in these technologies from the start of their education, as they are essential for finding a job in the future.

*It is essential that the efforts made to connect educational establishments to communication networks, especially the Internet, be backed up by measures that allow all teachers and pupils to access and use computer facilities (e.g.: computer rooms, connection centres, etc.) more often and more extensively. Finally, schools must be given the required technical support.*

### **C. Improvement of vocational guidance systems**

To an extent, these shortcomings involve certain problems related with vocational guidance mechanisms, which are dispersed and fail to offer comprehensive information and guidance, and with the very limited attention that is paid to training businessmen and managers. It should not be forgotten that efficient information and guidance instruments are essential not only for enhancing people's job prospects, but also for improving the way in which human resources are allocated on the job market.

*In line with the priorities established in Lisbon, it is essential that the different careers information and guidance services and agencies coordinate their actions, so as to work as a team and provide comprehensive guidance.*

### **D. Reinforcement of linguistic skills**

Furthermore, linguistic skills are also in great shortage in a context of internationalisation. In 1999, barely one third of Spaniards said they were capable of holding a conversation in another language, below the Community average of 45% and way behind the 86% of the Dutch. Therefore it is a challenge that matters all the more in the case of Spain, and this language gap could be a serious hurdle vis-à-vis the goal of integrating the Spanish economy in the knowledge society.

The development of linguistic skills matters more than ever if the Spanish economy is to form part of the so-called knowledge society.

*Even though progress is seen to have been made, above all in relation to bringing forward the age at which it is compulsory to learn a second language, it is essential that the authorities make special efforts to close the huge gap that exists in Spain in this field, at all age levels.*



## **E. Lifelong learning systems**

The last few years have seen increased investment in lifelong learning: In particular, between 1993 and 2000, more than 9 million workers received training through the system implemented via the National Lifelong Learning Agreements, and there was a significant increase in Spanish companies' training costs, as borne out by the latest figures provides the European Survey on Lifelong Learning.

*Nonetheless, the funds available are still not enough to meet the demand, and there are even several reasons why the model itself to be redefined.*

## **INTEGRATION OF FINANCIAL MARKETS**

### **➤ Financial System Reform Measures Act.**

LAW 44/2002, DATED 22 NOVEMBER

- Transposes EC Directives for the exchange of information between EC supervisors and third countries, in order to adapt existing financial institution regulations to EU regulations and to guarantee compliance with intraday lending and monetary policy transactions by the Bank of Spain.
- Fosters the efficiency and integration of the Stock Market and integrates all the existing clearing and settlement systems in a single body.
- Creates and regulates certain instruments for making the financial industry more competitive.
- Improves SME financing conditions:
  - o By making it easier to obtain finance through factoring
  - o Through the securitisation of mortgage assets.
  - o Through the reform of risk capital regulations, making them more flexible and making transactions easier.
- The Act regulates the legal effects of electronic contracts and transpose EC directives on electronic money into Spanish legislation.
- It establishes new measures to protect investors by:
  - o Creating specific bodies responsible for protecting the customers of Financial Services
  - o Transposing the fourth directive on car insurance
  - o Encouraging guidelines on transparency in capital markets and punishing practices that aim to distort pricing.

### **➤ Risk capital**

UNDER SECTION 19 OF LAW 44/2002:

- Risk Capital (R.C.) Companies are re-defined as "Limited companies whose main corporate purpose consists of acquiring temporary stakes in the capital of



- non-financial companies which, at the time the stake is acquired, are not quoted on the primary market of the stock exchanges".
- Non-financial companies are considered to be any entities whose main activity is the holding of shares or participations issued by entities that belong to non-financial sectors.
  - Investments in stocks issued by companies whose assets consist of more than 50% of real estate will be considered investments made in the course of the R.C. company's authorised activities, provided that such stocks are directly allocated to a business activity other than real estate.
  - R.C. companies may invest up to 25% of their assets in companies that form part of their group or their society management company's group provided that:
    - o The articles of association contemplate such investments
    - o The internal code of conduct ensures that the transaction is carried out in the company's interest
    - o Their advertisements include detailed information about investments made in group companies.
  - The subscribed capital must be at least 1,200,000 euros, and at least 50% must be paid in upon the company's incorporation and the rest within a maximum of three years. Up to 10% of this minimum disbursement may be made in assets that form part of the fixed assets.
  - R.C. companies may only perform transformation, merger or issue transactions with the prior approval of the Ministry of Economy.
  - With regard to capital gains obtained during the transfer or repayment of shares or participations that represent the equity of the R.C. companies and funds, a deduction of 35% (general corporate tax rate) may be applied to the part of the capital gains obtained from the sale and the amount of which corresponds to the non-distributed part of the profit obtained during the period during which such shares or participation were held.

This new legislation affords Risk Capital Companies greater flexibility and new tax incentives with regard to capital gains obtained during transfer or repayment of shares or participations.

Furthermore, the Spanish Administration has launched the following initiatives to help finance R.C. companies that invest in small technology-based companies:

*INITIATIVES OF THE SPANISH ADMINISTRATION*

- *7-year interest-free loans for R.C. entities that invest in small technology-based companies that have been operating for less than two years.*
- *The R.C. company's participation in the technologically-based company must not exceed 500,000, 750,000 or 1,000,000 Euros, depending on where the company is located, pursuant to article 87 of the EC Treaty.*



### ➤ **Collective investment undertakings**

Bill on Collective Investment Institutions (CII), the first Parliamentary reading of which began in February this year, adapts Spanish legislation to EU Directives, making it more flexible and affording greater protection to shareholders and participants

The Bill proposes the following changes:

- Spanish CII management companies would be able to obtain a community passport in order to open branches in other EU States and provide cross-border services.
- CII management companies will also be able to perform the following activities: customised portfolio management, financial investment consultancy and CII participation custodial and administration services.
- CIIs will have more flexibility to invest in all kinds of financial assets.
- According to the Financial System Reform Measures Act, CIIs will remain subject to the control of the Investors Ombudsman and must have a customer ombudsman and help desk.
- To avoid conflicts of interest, further mechanisms will be implemented to separate the management (or investment) company and the deposit-holder.
- Merger, transformation and demerger procedures will be flexibilised to prevent shareholders and participants being tied to an investment in the event of market changes.

### **BOOSTING BUSINESS ACTIVITY**

Teaching about entrepreneurship is the road to fostering a more dynamic business culture in Europe, which is why children should acquire general knowledge about business and entrepreneurship throughout their education. In this respect, people must be made to be readier to take risks and action must be taken to encourage those who are prepared to do so. A change of mentality must be fostered so that, from school age, people take a positive attitude to business, regarding it as an opportunity that is within everyone's reach. One is not born, one becomes an entrepreneur.

### ➤ **Entrepreneurship**

- Implementation of specific entrepreneur training modules in vocational training.
- First steps by the Ministry of Education, Culture and Sports to foster entrepreneurship in primary education, compulsory secondary education and optional secondary education.
- Implementation of company management and simulation programmes in several Autonomous Regions.



- Creation of grants for ongoing training in social economy companies and to all self-employed workers.
- Entrepreneurship training and practice programmes for the unemployed.

➤ **Creation of Companies and Administrative simplification**

- New Company Bill, permitting new entrepreneurs a very simple corporate legal status that guarantees the separation of their personal and business assets.
- They will be able to incorporate the company within a maximum of 48 hours through the implementation of a Single Electronic Document, recording all the necessary procedures.
- And will be able to use a simplified accounting system.

➤ **One Stop Shop for Business**

- Joint initiative by the Public Administrations to support entrepreneurs by setting up "one-stop" business transaction and advice centres.

*The CEOE is of the opinion that the actions geared towards boosting business activity must seek to: complete the interior market; reduce administrative and tax burdens; flexibilise the job market; improve the quality of labour; favour access to finance facilities; reform bankruptcy legislation; increase R&D expenditure; and maintain stable macroeconomic conditions.*

## **INFORMATION SOCIETY**

➤ **Deregulation of the telecommunications sector.**

The full privatisation of the incumbent operator and the opening up of the local loop have constituted a major step forward in the deregulation of the Spanish telecommunications sector. Furthermore, considerable efforts have been made in recent years to foster an open and competitive framework, so as to make it easier for new players to come onto the marketplace, and thus offer users a broader range of options.

*In this respect, creating a body such as the Telecommunications Regulatory Commission serves to facilitate the monitoring of telecommunications operators' activities and suitable tariff control.*

➤ **Development of Communication Infrastructures**

Telecommunications carriers are in crisis, and face an unfavourable legal framework characterized by heavy tax pressure, their commitment to furnish bank



guarantees for the development of a technology that is not available yet and social rejection regarding the deployment of new mobile communication antennas.

*As far as communication infrastructures are concerned, Spain is still too far behind the Community average in terms of broadband deployment. Despite the sizeable increase in the number of people using ADSL, the system to which the incumbent operator has committed itself, recent figures show that the percentage of Internet users who have this fast, high-capacity infrastructure is still very low. Another issue worth mentioning in this respect is the still scant deployment of cable throughout the country.*

➤ **Implementation of Electronic Services in the Administration**

E-administration in Spain leads the field in certain areas, with a more than acceptable level of on-line services. Spain is above the EU average in terms of the public services available to citizens and companies, although still slightly below the average in terms of the percentage of people who use these services offered by the Public Administrations.

*This shows that citizens have yet to perceive the advantages afforded by the system, which is why the State should prioritise the use of New Technologies in administrative processes, thereby setting an example.*

➤ **E-commerce: Legal Framework**

As far as regulations go, the Directive on Electronic Commerce has already been transposed into Spanish legislation with the passing of the Information Society Services and Electronic Commerce Act, which purports to provide a suitable legal framework for Internet-based relationships.

Furthermore, the regulatory process should come to an end when the Spanish Parliament passes the future Electronic Signature Act, which is currently at the draft Bill stage and which has an essential role to play in reducing the legal uncertainty of Internet transactions.

*E-Commerce has failed to get off the ground yet in Spain, where the Internet penetration rate is still very low. According to this piece of information, the percentage of users who have made an on-line purchase is still very far from the Community average. Besides, the percentage of Spanish companies that sell their products or services over the Internet is the lowest of all European Union countries.*



## **RESEARCH, DEVELOPMENT AND TECHNOLOGICAL INNOVATION**

### ➤ **Increase the weight of R+D in relation to the GDP**

Despite the fact that Spanish R+D expenditure as a GDP percentage reached 0.94% in 2000, an all-time high, these figures is still way below the European average (1.9%) and the US average.

These figures show that the undeniable effort made to date must be maintained and increased in time if we are to achieve the objectives put forward at the last Lisbon summit and overcome the so-called European paradox.

*To that end, the private sector must make a bigger contribution to R+D, and policies should be established for enhancing and facilitating the transfer of know-how and resources to the business sector.*

### ➤ **Level of know-how transfer from universities and technological centres to companies.**

One of the main disadvantages hindering the development of R+D+i in Spain is that the know-how and research that are acquired and performed at universities and technological centres are not being transferred enough to the business world, even though the business world is the main consumer of researchers' achievements.

*Furthermore, it should be the companies who, through dialogue and agreement with the institutions responsible, establish the future courses of action, to ensure that they make the most of research efforts and that such efforts are tailored to meet the real needs of the Spanish business fabric. In this way, research could be applied to business projects that guarantee a greater return on the investments made.*

### ➤ **Tax incentives for research and development projects.**

One of the conclusions of the European Council of Barcelona (March 2002) was a proposal to boost European Union R&D spending from 1.93% to 3% GDP by 2010. It should not be forgotten that boosting research and development projects is directly related to applicable tax incentives. In Spain, companies lack the necessary legal certainty in the application of such incentives. Spanish companies are forced to spend and invest heavily in order to undertake research and development projects but, when they apply the tax incentives, they find that the tax authorities lack clear and appropriate criteria as to what qualifies as research and development, and what does not.



*Therefore these companies need a legal framework upon which they can rely and within which they can embark upon projects, with the certainty that they are eligible for the tax incentives established for this type of activities.*

➤ **Mobility of researchers between the university and business worlds**

The situation in Spain, characterized by the small number of players in the R+D+I system and the limited amount of financial resources available, also requires a significant increase in the number of researchers in the private sector.

The number of researchers in Spain is only half the European Union average, and the level is even lower in the private sector.

*Therefore, and with a view to the convergence with our neighbouring countries, there is an essential need to increase and transfer research personnel from universities to business.*

## **SPANISH STRATEGY FOR SUSTAINABLE DEVELOPMENT**

The last few decades have witnessed an upsurge in concern with biodiversity, a concern that the CEOE has seen for itself and shares insofar as we are fully aware that environmental actions will not only be reflected in this era, but will also condition and serve as a guideline for future generations.

There is no doubt that increase in trade and investments are the only way that developing countries have any chance of growing. However, they will only benefit from such an increase if, not only companies, but governments and international agencies join forces in endeavouring to boost and foster trade and investments.

Therefore, for this to succeed, all those involved must achieve certain prior objectives, in order to be able to:

- ◆ Guarantee the existence of international markets that are open, competitive and properly structured, insofar as they clearly guarantee economic growth and environmental and social improvements.
- ◆ Have transparent environmental objectives; environmental efficiency (in particular, greater energy efficiency in the industrialisation process), economic efficiency and facility in the introduction and adjustment of the instruments used.
- ◆ Coordinate internal policies with the principle of equilibrium inherent to sustainable development, and reconcile such policies with the instruments and provisions of others blocks. as well as with respect to the national regulations of



the Member States. In this respect, there is a need to analyse how the objectives laid down in the Kyoto protocol can be made compatible with the real convergence of our economy in the context of the European Union.

- ◆ Work to reduce greenhouse gases (GHG) through the development of an integrated strategy capable of achieving the goals proposed by the Kyoto Protocol in the fight against Climatic Change. In this respect, one of the tools that could be used to meet the future GHG emission quotas is the emission trade, which has already been regulated by EU authorities. However, if these EU regulations are to be transposed into our legal system, they must be flexible enough to adapt to each country's own requirements, if they are to achieve the goal enshrined in the Kyoto Protocol: to reduce emissions.

We are aware that this broad set of premises has significant international and intergenerational implications in the context of fairness and sustainable development.

*However, if they are achieved, the three pillars of environmental policy, namely economic development, social interests and the protection of the environment, will remain on an equal footing.*

## RAILWAY TRANSPORT

The railway sector bill of 13 December 2002 transposes into Spanish law the three community Directives that constitute the "railway package", to reorganize the state railway sector and lay the foundations for the gradual opening up of railway transport to competition.

It establishes a clear separation between transport and infrastructure administration activities.

The existing Railway Infrastructure Management body, GIF (*Gestor de Infraestructuras Ferroviarias*) will be replaced and absorbed by a new public body called the ADIF (*Administrador de Infraestructuras Ferroviarias* - Railway Infrastructure Administrator), which will no longer form part of RENFE and will be responsible for building new infrastructures and administrating existing infrastructures.

It regulates railway companies' access to the freight and passenger transport market.

It has created a public entity named RENFE-Operadora, which will provide railway passenger and freight transport services.

A Railway Regulatory Board has been set up within the Ministry of Development to ensure that the new system works properly.



In principle, it will only apply to freight transport, until the EU defines the framework applicable to passenger transport.

In addition to transposing into Spanish law the European railway transport Directives, basically with regard to the opening up of Spanish railway markets to the international freight services provided by the railway companies established in any EU member State, the Draft aims to completely rearrange the state railway sector and lay the foundations for new players to gradually enter this market. That would boost this means of transport, which at present is used very little at present in comparison to other means, with the prospect of significant market growth. In short, it represents the fruition of a long-standing entrepreneurial wish that, in principle, has been met satisfactorily.

### **POSTAL SERVICES**

300 companies and 4,500 jobs are under threat due to the unfair competition practised by the Spanish Post Office, which enjoys a dominant position in the market.