

Dr Martin Bartenstein
Federal Minister of Economics and Labour
President of the EU Competitiveness Council
Stubenring 1
A-1010 Wien

19 May 2006

THE PRESIDENT

Subject: Competitiveness Council 29 and 30 May 2006

Dear President,

In the next Competitiveness Council meeting you will discuss a large number of important items. I would like to draw your special attention to two of them:

In view of a possible political agreement on the **services directive**, I feel it essential to share with you that UNICE and its members are now seriously concerned that the Council discussions may result in a further watering-down of the proposal. If the directive is to offer a real added value for growth and jobs, the scope of the directive should not be further reduced and the basis for national restrictions on the freedom to provide services should not be enlarged. We call for the reintroduction of temporary work agencies in the scope. For the sake of transparency and legal certainty, we also argue for introduction of a notification and registration system for national restrictions that can be imposed on incoming foreign services pursuant to article 16.

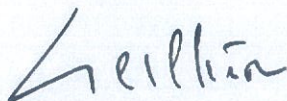
Furthermore, we continue to think that an impact assessment of the changes to the Commission's initial proposal should be carried out before any final decision is taken.

Your agenda also includes a policy debate on the review of the **Sustainable Development Strategy**. It is important to recognise that sound economic growth is as indispensable for sustainable development as environmental protection, especially in the current situation of a falling growth potential in the EU. European business considers the EU climate change strategy as a test case for a comprehensive approach to sustainable development.

The potentially far-ranging implications of climate change policies make it necessary to discuss them not only in the Environment Council but also in the Competitiveness Council and Energy Council because the formulation of the future CO₂ and carbon regime in Europe will have a tremendous impact on the competitiveness of business in Europe and therefore must not be discussed only from an environmental angle. The fact that the Kyoto Protocol was implemented by the EU but not by some of Europe's trading partners creates a competitive handicap for European intensive energy users, which needs to be addressed. Therefore I would like to reiterate my request that climate change policies and their potential impact on Europe's competitiveness are placed on the agenda of the Competitiveness Council on a systematic basis.

Please find at annex our comments on further issues on the Council agenda.

Yours sincerely,



Ernest-Antoine Seillière

May 2006

Annex:

UNICE positions on further items to be debated at the Competitiveness Council meeting on 29 and 30 May 2006

Item 5: Progress Report and exchange of views on Better Regulation:

It is very important that progress in the area of better regulation is ongoing. UNICE has warmly supported all initiatives of the Commission to use better regulation as a crucial tool for promoting competitiveness, and it is now eager to see concrete results:

- The new impact assessment procedure should always be fully applied in addition to the implementation of the inter-institutional common approach to impact assessment in order to properly assess the impact on competitiveness of proposals and related substantive amendments by the Council and the European Parliament.
- Progress on simplification should also continue. The Commission strongly favours simplification and has made concrete proposals in this respect, but the Council and the European Parliament also have an important role to play. They should modify their working methods so that simplification proposals can be dealt with quickly and do not become burdens in themselves.
- UNICE welcomes the support in the European Parliament for an independent oversight body to check the quality of impact assessments. The credibility of impact assessments would unquestionably gain if they were entrusted to, or verified by, an independent body.
- Lastly, UNICE strongly supports the setting of a quantified goal for the reduction of bureaucratic burdens, both at national and Community level. Information about the size of existing bureaucratic burdens and a quantified goal for the reduction of these burdens will raise awareness about the need for cost reductions and generate support for concrete proposals.

Item 6: Policy debate on a modified proposal for a directive of the European Parliament and of the Council on credit agreements for consumers amending Council Directive 93/13/EC

European business welcomes the efforts to move towards a text that both promotes an Internal Market in consumer credit and gives EU citizens an appropriate level of protection. However, we remain concerned that both the Commission's modified proposal and the Austrian Presidency's compromise proposals might impose requirements that will not bring real benefits to consumers, and are likely to cause damage to economic operators and national economies by undermining consumer-credit-financed consumption. In view of the forthcoming discussions on the above-mentioned proposal, we would like to draw your attention to important concerns that these proposals have raised among the business community.

UNICE supports the adoption of a full harmonisation directive targeting the main provisions of this scheme and would therefore like the scope of the mutual recognition to be as focused as possible. Furthermore, in order to ensure legal certainty for both consumers and professionals, the scope of the directive and its definitions have to be clarified. All loans having a term of less than three months and all housing loans should be excluded and a definition of credit intermediaries restricted to any natural or legal persons whose principal activity consists in acting as credit intermediary against remuneration should be introduced. In addition, regarding provisions relevant to the "right of withdrawal" and "linked credit agreements", the proposed regime is more restrictive than the current situation in the European Union. The combined application of national provisions with the proposed rules would create major competitive

distortions and cause great confusion. Finally, UNICE considers that the compromise proposals submitted by the Austrian Presidency tend to make more complex the mechanisms provided for the reform of the rules applicable to consumer credit.

Item 7a: General approach on a proposal for a decision on the 7th Framework Programme for research, technological development and demonstration

European Heads of State have repeatedly confirmed the need to accelerate progress in achieving the Lisbon goals through a substantial enhancement of the EU's research effort, supported by the Seventh Framework Programme (FP7). UNICE fully endorses the need for urgent and more coherent action at Community level and by Member States. Europe needs to strengthen the link between research and innovation. The primary responsibility of governments is to establish the conditions and provide the resource for this to happen.

With this in mind we believe that careful attention must be given to the design and implementation of the FP7. The ambitions of this programme have grown substantially. Given the agreed budget, the business community wishes to offer the following principles for establishing priorities which we believe will deliver the most leverage to Europe's economy:

- effective use of Community funds for R&D aimed at raising standards and mobility;
- supportive actions aimed at encouraging more productive use of the knowledge that is already available and is being generated;
- sound programme management, based on straightforward and unambiguous procedures that better reflect business (as well as academic) processes and objectives.

Item 8: General approach on a proposal for a regulation laying down the rules for participation of undertakings and research centres and universities in actions under the 7th Framework Programme and dissemination of research results

The rules for participating in the FP7's sponsored activities are key in making the FP7 work in a way that is supportive of Europe's competitiveness. UNICE fully endorses the need for urgent and more coherent action at European level. FP7 is intended to establish the conditions and provide the resources for this to happen. However the principles under which FP7 is directed and managed require reform.

Simplification of the rules for participation should in our view be based on a clear understanding that a key purpose of FP7 is to improve the longer-term competitiveness of European industry in the knowledge economy. In order to encourage and increase industrial participation in FP7 we believe that the rules for participation must:

- solve the affiliate problem and allow full dissemination of project results within one legal group of companies and arrange allowable transfer conditions when acquisitions or divestments are concerned;
- resolve outstanding issues relating to background knowledge. Access rights to background should only conditionally be awarded by the sole discretion of its owner using the 'major business interest' principle;
- refrain from applying full liability to participants;
- refrain from detailed prerequisites for participants.
