



September 2011
AK Position Paper

AK position to the Commission proposal
on the Multiannual Financial Framework from 2014

About us

The Federal Chamber of Labour is by law representing the interests of about 3.2 million employees and consumers in Austria. It acts for the interests of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore the Austrian Federal Chamber of Labour is a part of the Austrian social partnership.

The AK EUROPA office in Brussels was established in 1991 to bring forward the interests of all its members directly vis-à-vis the European Institutions.

Organisation and Tasks of the Austrian Federal Chamber of Labour

The Austrian Federal Chamber of Labour is the umbrella organisation of the nine regional Chambers of Labour in Austria, which have together the statutory mandate to represent the interests of their members.

The Chambers of Labour provide their members a broad range of services, including for instance advice on matters of labour law, consumer rights, social insurance and educational matters.

Herbert Tumpel
President

More than three quarters of the 2 million member-consultations carried out each year concern labour-, social insurance- and insolvency law. Furthermore the Austrian Federal Chamber of Labour makes use of its vested right to state its opinion in the legislation process of the European Union and in Austria in order to shape the interests of the employees and consumers towards the legislator.

All Austrian employees are subject to compulsory membership. The member fee is determined by law and is amounting to 0.5% of the members' gross wages or salaries (up to the social security payroll tax cap maximum). 560.000 - amongst others unemployed, persons on maternity (paternity) leave, community- and military service - of the 3.2 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labour.

Werner Muhm
Director

Executive Summary

The AK regards it as the central task of the European Union to improve the economic and social conditions for its citizens and to prepare itself for future challenges

The Austrian Federal Chamber of Labour (AK) has carefully examined the Commission proposal on the Multiannual Financial Framework from 2014 (Communication: "A budget for Europe 2020" (COM (2011) 500 final) as well as the proposal for a Council Decision on the system of own resources of the European Union (COM (2011) 510 final), both of which were submitted on 29.6.2011.

The AK regards it as the central task of the European Union to improve the economic and social conditions for its citizens and to prepare itself for future challenges. The will to do so has been documented in many agreements and plans of the Union. The Multiannual Financial Framework, which will be valid from 2014-2020, thereby has the task of providing the financial support for these plans. It is now time to turn words into action. However, the Commission proposal is inadequate in many respects.

1. The continuously **high financial resources for the agricultural sector** (383 billion Euro in total, on average 37 % of the budget) **do not allow any fundamental reform of the budget**. Neither the sharp decrease of the number of farms resp. of agricultural workers nor the rising agricultural prices have

been taken into account. Apart from this, the document contains several approaches to compensate the small savings in the agricultural budget by shifting responsibilities to other pots of funding. This concerns the European Social Fund with its additional task of providing food aid and the European Globalisation Fund, which according to the Commission's plans is to become an agricultural instrument. The AK is strictly opposed to these plans of the European Commission.

2. **Compared to this, the sectors employment, social affairs and combating poverty, are significantly underfunded.** Only 84 billion Euro resp. 8 % of the EU Budget funds have been allocated to the European Social Fund. Although there are more than 23 million people out of work in the EU 27, more than 7 million than before the crisis, this key problem is not appropriately dealt with. Applying the planned Multiannual Financial Framework will certainly not succeed in setting the course to achieve the EU 2020 targets with regard to raising the employment rate to 75 %, as well as lowering the number of people affected or threatened by poverty and social exclusion by 20 million. **To achieve this, the resources allocated need doubled to be at least.**

On the revenue side the AK welcomes the planned introduction of a Financial Transaction Tax

3. The AK demands that the **European Globalisation Fund**, which was established to support employees out of work in their effort to get back into the labour market, remains **exclusively** reserved **for employees**. However, the European Commission intends to use up to 2.5 of the 3 billion Euro for the agricultural sector.

4. However, **on the revenue side the AK welcomes** the planned **introduction of a Financial Transaction Tax**. However, the approval should not be regarded without caution, as the tax will only be imposed from 2018 and the European Commission expects a rather modest yield of 37 Billion Euro in the year 2020. The Financial Transaction Tax should already be introduced in 2014, generating relevant yields. From a distributional perspective, we are opposed to the introduction of a new Value Added Tax in-come.

Even though one can detect the attempt of focussing on the Europe 2020 strategy for growth and employment in the Commission proposals; the European Commission, however, does not succeed in actually implementing this strategy in the Multiannual Financial Framework. In general, the ideas of the European Commission on the Multiannual Financial Framework are unfortunately imbalanced; in some parts they are inconsistent and incomplete. What the considerations actually mean, will only become clear once the draft proposals for the individual funds have been presented.

We fundamentally **reject** the **funding of a number of expenses outside the financial framework** (58 billion Euro in total). This encourages the casual allocation of funds, in particular for major projects. In view of the previous experiences, we also regard the increased use of sometimes innovative funding options, such as the Public-Private Partnership as not being appropriate.

Based on flexible elements (extra-budgetary funding, use of "delegated legal acts", increasing the margins from currently 5 to 10 %), the Commission is also expanding its competencies, a fact, which we regard as questionable in terms of democracy. Although from an economic point of view any greater flexibility of the budget is be welcomed on principle, it should be guaranteed by a transparent and agreed approach.

Problematic is the approach adopted of the European Commission in respect of conditionality. The AK is of the opinion that the term 'conditionality' should only be interpreted in an extremely restrictive manner. A reference to the economic control and supervision, as contained in the present draft, does go too far! We are therefore vehemently opposed to any associated expansion of conditionality to other policy areas.

The AK position in detail

Detailed analysis on other policy areas

1. Employment and social affairs

1.1 European Social Fund (ESF)

In the chapter 'Employment and social affairs', the European Commission (EC) recognises the vital importance of these issues for the people living in Europe. It requests comprehensive measures to reduce unemployment and poverty to combat these effectively. Unfortunately, the EC does not draw the required conclusions. At 84 billion Euro spread over seven years, the ESF budget is slightly larger than for the current financial period. However, the ESF is expected to fulfil additional tasks, such as funding food aid; hence at 8 % it is by no means generously furnished. Based on the fact, that the budget negotiations with the Member States are imminent, there is reason to fear that in the end fewer funds than at the present time will be available for actually pursuing the main targets in the areas of employment and poverty. In contrast, the agricultural sector remains very generously funded, even though the number of agricultural workers has been falling for years; due to the last crisis, unemployment in Europe now stands at 23 million - 7 million more than before the crisis - and is therefore worryingly high. Hence, the AK demands **to at least double the share of ESF resources** in the overall budget.

Positive is that ESF minimum shares have been determined for the first time in respect of the structural fund resources. For Austria, as a competitive region, this would mean a share of 52 %. The AK does fully support this increase from currently 46 % to 52 %, as it focuses more than before on labour market policy in Austria.

Main focuses of the European Social Fund

The AK welcomes that the proposal for the Multiannual Financial Framework will retain the basic orientation of the fund towards the targets of the EU 2020 Strategy. Focussing on only a few targets is appropriate if the intention is to achieve recognisable effects with the funds allocated.

The promotion of employment, investments in qualifications, education and lifelong learning as well as of social inclusion and combating poverty are the main priorities defined. Within these strands, the ESF is also expected to contribute to combating discrimination and gender equality and to promote innovations in the social sector. These focuses belong to the main challenges in the area of labour market and social policy. Therefore, we **explicitly support** these focuses. However, the targets of the ESF should place more emphasis on pursuing **gender mainstreaming** and a **diversity approach** as well as the principle of **gender budgeting**.

The planned ESF activities to increase administrative efficiency and the contribution to good public administration could be helpful to some cohesion and convergence countries. However, in view of the tight ESF budget, the relevance of this area is small and therefore this strand should be clearly defined with regard to the other three. This definition could be achieved by means of a general budgetary limit as well as by restricting the issue to Member States with obvious catching-up-to-do concerning the administrative implementation.

The situation is similar concerning the contribution of the ESF to low-carbon economy. The promotion of so-called "green jobs" must be able to hold their ground in respect of quality standards; hence, it must be restricted to high-quality jobs. The regulation must provide a clear restriction. Under no circumstances must this mean a hidden promotion of agricultural policy or agricultural work for example.

We vehemently reject the plan of the EC to put the ESF in charge of the **food aid**. So far, food aid (to the extent of ca. 2.5 billion Euro) has been paid out of the agricultural budget. This concerns surplus food from the EU area, which is purchased from farmers and made available to the poor in the Member States. In all its interventions, which have been going on for many years, the ESF has always been pursuing the approach to provide aid to self-help in order to support people trying to improve their precarious living conditions, above all through qualifications and employment. Food aid would depart from this approach; hence, food aid in general appears to be extremely ques-

tionable. In real fact, food aid is more a compensation for farmers who have overproduced. Should this programme be continued, it has to be paid from the agricultural budget and by no means from the ESF.

Structure of the European Social Fund

We welcome the common framework for the structural funds. However, this must be applied with the same intensity and commitment to the Rural Development Programme in order to achieve an effective bundling of interventions to meet the EU 2020 target. The respective formulations in the Financial Framework and the subsequent Regulations must be clearer defined.

The draft is also lacking clear ideas on simplifying the administration of the ESF. Although the issue is mentioned, how these simplifications are to be achieved remains unexplained. However, simplifications in respect of processing are absolutely necessary - also to enable the European added value - so often declared by the EC. Hence, regulations texts on the individual funds must also contain clear simplifications.

Integrated programme for employment, social policy and integration

This programme will be used to continue the existing Progress Programme. Based on the clear added value of the current research, learning and networking activities, its **continuation** is essential. However, the new **content-related**

The European Globalisation Adjustment Fund, funded to reintegrate workers who lost their jobs, shall be reoriented and be reserved for farmers. The AK vehemently rejects this plan of the EC

orientations do not go far enough. The topics regarding **equal opportunities and combating discrimination**, which are currently included, will obviously no longer be part of the programme. The AK rejects this restriction and explicitly demands the inclusion of these topics in the programme. We are also critical of the intended focus on major projects. This in particular disadvantages non-governmental organisations from smaller Member States. Hence, the programme must remain accessible to all NGOs in future.

The AK regards all other main focuses of the programme as sensible. This also applies to the focus on supporting the entrepreneurial spirit, in particular through microcredit models. However, a condition for this programme must be the aim only to support such entrepreneurship, which creates a living wage. Hence, each initiative must be subject to a relevant examination.

Positive is the focus on multiannual programmes, as this also means predictability with regard to financing and planning.

1.2 European Globalisation Adjustment Fund (EGF)

The European Globalisation Fund was set up to support employees during the reintegration in the labour market, who lost their job due to globalisation or since 2009 because of the consequences of the crisis. The EC is obviously planning a completely reorien-

tation of the EGF for the next financial period. Up to 83 % (2.5 Billion Euro) are to be reserved for farmers, who are directly affected by the consequences of globalisation. It has obviously been planned to pay compensation to the agricultural sector. **The AK vehemently rejects this plan of the EC!**

This change is wholly without foundation. The EC explains that the resources are currently not fully used and that therefore the fund should be opened up. However, it overlooks the fact that the lack of usage is above all linked to the restrictive conditions prior to the reform of the EGF. Both the expansion of the factual area of application (consequences of the crisis and not only companies moving into other EU countries) and the lowering of the minimum number of employees losing their job to 500 have resulted in a significant increase in the number of EGF cases.

In order to achieve a usage of the fund, which reflects the problems on the labour market, it is essential to structure the fund in the new period in such a way that it can also be used by smaller Member States; i.e. that the minimum number of employees affected is adjusted and that the reasons are not restricted to specific circumstances. Of particular significance are also improvements in respect of processing. If it takes years to approve an eligible aid case, this can only be to the detriment of the effectiveness of the EGF in relation to the number of cases and the employees, who benefit. We recommend considering preventive measures in case of impending mass dismissals.

The consideration, to subsidize certain segments of the food sector does not require any reallocation of the fund to the agricultural sector. The food sector already has full access to EGF resources. Hence, this argument too misses the point.

Obviously, the only purpose of reserving funds for the agricultural sector is to compensate any of its losses from other sources. In any case, it would be possible to fund the retraining of farmers from the EAFRD, if this was more oriented towards the qualifications of agricultural workers.

The AK therefore demands that the EGF continues to exclusively benefit employees.

The overall slight increase of the budget in the chapter Employment and social affairs would be counteracted by reserving the major part of the European Globalisation Fund resources for the agricultural sector and the shift of food aid in the ESF.

2. Sustainable growth

2.1. Common Agricultural Policy (CAP)

In respect of agricultural spending in the next financial period, it is planned to introduce "high-level stabilisation". The EU agricultural budget will be "frozen" and in addition agricultural expenditure will be shifted to other funds. These plans of the EC are not acceptable. Generally, the level of agricul-

tural spending - also against the background of the development during the past years - has been too high. In the past ten years, the number of agricultural workers fell by 25 %, which means that the substantial agricultural budget is divided between a shrinking number of farmers; hence it has risen on average and will possibly rise even further.

However, some targets have been formulated, which are worth supporting. However, the danger is that in the end only a few substantial changes will take place, that hardly any benefit for society and environment will be created and that it will come to distribution problems. Therefore, a **reform, which actually orients itself on the 2020 targets and not assumes the status quo, is essential!**

European Agricultural Guarantee Fund (EAGF)

The EAGF proposes expenditure for the so-called 1st Pillar on the current level of 282 billion Euro. This shall also be mainly used to make direct payments to the agricultural sector in future. The question, why taxpayers' money should also subsidise rich farms resp. competitive farms, remains unanswered. Even though the EC states that agricultural prices have risen by 50 % in during the past years, it wants to continue justifying agricultural subsidies on the basis of increased energy and fertilizer prices. However, energy and fertilizer prices only account for a small proportion of the costs. The question must also be asked whether soci-

ety should finance an increase in production costs in the agricultural sector. Consumers would have to cope with a double burden: on the one hand they have to pay the significantly increased food prices and subsidize production costs on the other.

Even if some changes have been considered, the system, which had been introduced in the nineties as an interim solution, will be carried on. As these direct payments are extremely controversial from a socio-political point of view, the EC has proposed improvements, which, however, do not change the fundamental dubiousness of these subsidies resp. which are not adequate enough to significantly improve their acceptance:

- 30 % of direct payments will be made contingent on compliance with a range of environmentally-sound practices, which have yet to be defined.

No explanation has been given why 70 % of these payments are NOT to be made contingent on compliance with a range of environmentally-sound practices ("greening"). Farms should work sustainably up to 100 % without causing environmental problems, for example through a lack of crop rotation. It is to be feared, that the agricultural ministers will come out in favour of low environmental requirements. It should be discussed, which minimum requirements farms have to meet without receiving subsidies and under what circumstances subsidies should be made.

- Support only for active farms

It is a known fact that agricultural subsidies push leasing rates upwards. Hence, if it is emphasised that subsidies are only paid to active farmers, a windfall effect cannot be excluded if a farm is leased, as leasing rates are already oriented towards agricultural subsidies.

- Limiting the amount of direct payments

Agricultural subsidies amounting to millions for individual farms, as they are currently possible, are to be gradually reduced, taking the preservation of jobs into account. Whether the payment of millions of Euros is still possible, remains unclear. The reduction factors have also not yet been defined. However, the fundamental question has not been asked: why society should guarantee competitive farms high agricultural subsidies until the year 2020?

The AK regards the changes in the 1st Pillar as completely inadequate. **The AK demands a reduction of agricultural funds** and a redeployment of a part of the EAGF resources to the European Agricultural Fund for Rural Development (EAFRD) and for job-creating measures within the scope of the 2020 targets to other funds.

The targets to be achieved must be measurable (e.g. positive influence on the climate, number of jobs)

European Agricultural Fund for Rural Development (EAFRD)

The funds for the EAFRD are to be slightly reduced to 89.9 billion Euro and amount to less than a third compared to the 1st Pillar. In contrast to the expenditure of the 1st Pillar, parts of the EAFRD programme have to be supported for social and/or ecological reasons; therefore the budget between the 1st and the 2nd Pillar develops into the completely wrong direction.

Unfortunately, the draft includes not enough substantial improvements so that a necessary development of the EAFRD is at risk. Therefore, the following requirements should be included in the CAP proposal:

- The targets to be achieved must be measurable (e.g. positive influence on the climate, number of jobs).
- The minimum funding for the measures to achieve the 2020 targets in particular in respect of creating jobs must be determined.
- According to the title "rural area", the measures have to be accessible to all people living there and not only to the agricultural sector.
- The labour market policy measures of the EAFRDs in Austria must be implemented by the Public Employment Services (AMS).
- The EAFRD funds should also be used to promote social infrastructure. Due to targeted investments in social infrastructure (e.g. childcare) ten thousands of people can directly or indirectly find a job in rural areas.

Agricultural resources from other EU funds

In spite of a falling agricultural quota, a major share of the EU budget is still allocated to the agricultural sector. It is therefore **unacceptable** that agricultural policy now puts its hands into "foreign" funding pots in order to fund additional agricultural expenditure amounting to 13 billion Euro.

2.2 Environment

A successful climate policy must go hand in hand with a massive increase of high quality jobs. Apart from that, carbon emissions have to be reduced in the transport sector. The existing infrastructure and the legal and economic framework conditions are significant factors of the prevailing transport system. It is therefore necessary to develop the infrastructure for sustainable forms of transport (rail, water) accordingly on the one hand and to create the necessary regulatory framework conditions on the other. Even in case of an existing infrastructure for sustainable forms of transport, it will not be possible to prevent climate change, if one only relies on market forces, as the past has shown, in particular in respect of goods transport. The European Environment Agency concludes accordingly: "Climate change is a result of the greatest market failure the world has seen."¹

¹ EEA, 2010. European Environment – state and outlook 2010: Synthesis

The AK also underlines that sustainable aspects with regard to allocating financial resources for climate policy must be given priority. Under no circumstances is the AK in favour that - in the guise of climate compatible policy - risk technologies such as nuclear power and the separation and storage of CO₂ are financed.

3. Intelligent and integrative growth

3.1 Research and Innovation

Research and technology on the one hand and innovation on the other should no longer be promoted independent of each other, both at EU and at national level. In this sense, the planned "Common Strategic Framework for EU research and innovation funding" (CSF), which bundles the activities of the EU Framework Programme (currently FP7) with the Competitiveness and Innovation Framework Programme (CIP) as well as the European Institute of Innovation and Technology (EIT), is to be welcomed. This would also be an important contribution to defragmenting the European activities in the area of Research, Technology and Innovation (RTI), as the increasing diversification of the EU programmes and instruments is also a key problem for the RTI promotion of the EU. The implementation of more and more funding instruments and programmes (such as the Joint Technology Initiatives/JTI pursuant to Article 187 TFEU, measures pursuant to Article 185 TFEU, the Cooperation Programme ERA-NET etc.) with

sometimes separate funding regulations, tender documents and guidelines resulted in an increase in complexity and the fragmentation of EU research funding and makes the participation in R&D FP (not only, but in particular for SMEs) more difficult. Hence, harmonised regulations and clear structures as well as harmonised processes should be established in future.

A significant strategic target of the CSF, as demanded in the EC Communication "Europe 2020" from March 2010, should be the transition towards a mission orientation of European research. Research, technology and innovation must make significant contributions to solve important global and socio-political problems (unemployment, environment/climate change, energy and resource efficiency, transport/e-mobility, globalisation, health, security, demographic development/ageing, poverty etc.).

3.2 Competitiveness and SMEs

The Commission proposal on the Multiannual Financial Framework from 2014 allocates 2.4 billion Euro to this policy area; i.e. on average 340 Mio p.a. Hence, at 0.24 %, the share in the entire EU budget is extremely small. Due to the small amount, the possible annual return flows to Austria will hardly trigger a leverage, which would be relevant to Austria's economic future, as these might amount to 5 - 15 Mio Euro p.a. in cash value funding. The fundamental question is whether it is

The AK shares the opinion of the European Commission that growth promoting investments in infrastructure must be accompanied by measures in the areas of labour market policy, education, training and integration

efficient to use a European instrument for such small amounts as this claims a significant amount of the resources for applications, examinations, processing, controls, national contacts, etc.

The AK is extremely critical towards investments and participations of the public sector in all kinds of venture capital funds. The function of venture funds is to provide high risk equity. It is basically difficult for the public sector to properly assess such risks; however, this would be necessary in this case as taxpayers' money will be involved.

Venture capital is more prominent in some countries than in others. However, this fact does not say anything about the ways of funding of SMEs or their foundations, but only about the cultural background of the capital market. Hence, a low proportion of venture capital in case of SMEs does not mean that good projects (internal equity, family, loans ...) cannot be financed by means a different option. An initiative of the EU in the area of venture capital, where EU budget resources can flow into venture capital funds, will more benefit those countries, whose enterprises are more used on this form of financing for cultural-historical.

3.3 Education and culture

We welcome the Commission proposal to allocate 15.2 billion Euro to education and training. By increasing the current budget by 225 %, the EC wants to consider the fact that one of the five core targets of the Europe 2020 Strategy is a quantitative education target with

two components: on the one hand, the proportion of 30 to 34-year olds who graduated from university should rise from currently 31 % to 40 % and on the other hand, the rate of early school leavers should fall from currently 14 % in the whole of Europe to 10 %. To achieve this double target, requires massive investments in human capital.

However, it should not be forgotten that the Commission proposal for the current budget period was equally ambitious; unfortunately, the absolute figures at the end of all negotiations did not amount to more than half. We fear that in view of the precarious situation of many national budgets this scenario might repeat itself. That is why the words of EU Commission President Barroso should in particular apply to the education sector, according to which, these funds should be concentrated on "where it matters the most". This in combination with the "simplification in view of a better performance" must provide the guideline for the coming negotiations for the new "Education and Training" programme.

3.4 Infrastructure - Facility "Connecting Europe"

The AK shares the opinion of the European Commission that growth promoting investments in infrastructure must be accompanied by measures in the areas of labour market policy, education, training and integration.

From our point of view, the creation of a broader financial basis for the core network by being funded by the facility

“Connecting Europe” is to be welcomed. However, it has to be clarified how the concentration of the financial resources will affect the funding policy of infrastructure projects outside the core network (which according to the EC should be based on the current TEN-T), which so far has been funded via the Cohesion Fund for example.

In connection with financing the core network, the EC refers to the revision of the TEN-T guidelines to be submitted, which are to determine the most important requirements of priority networks for Europe. With regard to project evaluation, the AK has already pointed out in its Statement² on the Transport White Paper³ that the emphasis must not be on financial evaluation criteria. The Directorate-General for Internal Policies also demands within the course of the results of his analysis of EU subsidies for polluting and unsustainable practices: “The ex ante, midterm and ex post evaluations should make use of the Sustainable Development Indicators (SDIs). The current indicators used primarily focus on management and financial control. Evaluation should introduce indicators for measuring the environmental impacts.”

In the context of the evaluation of TEN-T projects, the EC regularly brings the term “EU added value” into play; however, without allowing a discussion about its definition and operationalization. The EC itself defines the European added value as a spill-over effect for non-investing countries and regions. However, the EC does not explain in more detail what kind of spill-over effects (political, economic, ecological) it is referring to. In respect of evaluating transport projects, the AK

demands the application of scientifically sound methods to evaluate social, economic and ecological consequences. In any case, the creation of sustainable high quality jobs must be included in the definition of European added value.

The lack of discussion shares the responsibility for the fact that financial resources have been squandered for years on projects which go against the imperative of sustainability. In the current budget period, the modal split in the cohesion fund is very unfavourable with regard to railways: whilst 40.6 billion Euro are invested in road transport, only 23.9 billion Euro⁴ have been allocated to the rail.

The AK demands that future funding policy takes sustainability criteria into account. Because road infrastructure generates further demand and apart from that results in a reduction of transport volumes of other types of transport with negative impact on the environment⁵ With regard to strengthening the European economy it has to be said that the (lack of) road infrastructure does not represent a bottleneck for the economic development; what is definitely detrimental is the lack of a fast communication infrastructure.

In contrast to the EC, the AK points out that the previous experiences with Public-Private Partnership (PPP) models (in Austria) show that they do not present any particular advantage compared to traditional funding; however, the transferred risks could have a negative impact on the public sector⁶, and that such models are only suitable for a small number of projects. Even the EC states in the documents accompanying the Transport White Paper⁷ in respect of

²: <http://akeuropa.eu/en/transport/transport-publications.html>

³: COM(2011) 144: White Paper: Roadmap to a Single European Transport Area - Towards a competitive and resource efficient transport system

⁴: Directorate-General for Internal Policies: EU Subsidies for polluting and unsustainable practices 2011

⁵: Directorate-General for Internal Policies: EU Subsidies for polluting and unsustainable practices 2011

⁶: Austrian Court of Audit, File Federation 2010/2: Enforcement of the PPP Concession-model Eastern region, part 1

the inclusion of PPP models that not all infrastructure projects are suitable for these mechanisms. Even if the EC cites the funding of wave-breakers in harbours as a positive example, the argumentation amounts to the **admission of the EC that PPP efforts in the end result in the privatisation of profits and the transferal of deficient infrastructure to the public sector.** The AK vehemently rejects this kind of infrastructure policy.

3.5 Cohesion policy: economic, social and territorial cohesion

All Member States are faced with major socio-economic challenges affecting large segments of the population in both urban and rural regions. These have to be tackled with the support of cohesion policy. We therefore welcome the fact that the Europe 2020 Strategy specifies the political goals for the cohesion funds, whereby Austria - as probably the majority of the EU Member States - due to the latest developments (e.g. economic crisis, austerity budgets) has to set priorities in particular in the policy areas concerning employment, education and the reduction of poverty and social exclusion. We also support a common strategic framework to coordinate sector policies, which also commits the EAFRD to meet the Europe 2020 targets.

Instruments of cohesion policy

In future, structural policy shall include phasing out regions, which means that the **Burgenland** can maintain its current status. This approach is to be welcomed.

The EC proposes to use 20 % of the Cohesion Fund resources for energy efficiency and re-newable energies. We are basically against discussing specific purposes for a single Europe 2020 target at this stage of the negotiations, without concrete measures, impact assessments and figures being in place.

European Regional Development Fund (EFRE)

The respective ideas of the EC are very vague and many areas are being mentioned, which should be supported with EFRE resources. This is in stark contrast to the politically desired focus on EU funds to improve efficiency and the "EU added value". Only by concentrating the funds, sufficient resources can be made available to invest into the future in a cross-sectoral and result-oriented matter.

The AK **demands to place the focus on social targets of the Europe 2020 Strategy** and supports the proposal that EFRE resources should be used to support the social economy, health, education and social organisations as well as sustainable urban development.

⁷ SEC(2011) 391: Commission staff working document accompanying the white paper – roadmap to a single European transport area towards a competitive and resource efficient transport system

The AK strictly rejects the conditionality, the EC wants to achieve with partnership agreements

Similar to the other EU funds, the AK criticises that “gender mainstreaming” and “gender budgeting” are barely mentioned in respect of the EFRE. We vehemently demand, in particular in case of EFRE, to specify requirements with regard to programming and consequently in respect of the allocation of funds and their gender effects. In order to achieve the required social balance, more EFRE resources have to be invested in social economy and social organisations.

Implementation

The AK strictly rejects the conditionality, the EC wants to achieve with partnership agreements. We are against linking European cohesion policy with the budgetary discipline of the Member States resp. the new economic governance, as this would represent a mixing of different policy areas, which are not in any way connected. We are also vehemently opposed to conditionality, which binds the financial commitment to required institutional reforms and structural adjustments. The area of application of the agreements of strategic programme planning must not be allowed to extend to other policy areas and EU financing instruments. The proposal of a performance reserve fundamentally contradicts the solidarity target of European cohesion policy to reduce disparities.

Multi-funds programmes might be suited to efficiently implement political key topics in a cross-sectoral manner. In order to support these it is necessary to simplify and coordinate administrative requirements and structures.

4. Security and Union citizenship

4.1. Health and Consumer protection

In the targets listed under “Health and Consumers”, the AK misses a programmatic explanation as to re-regulating the financial markets in a sustainable manner. The financial crisis and the subsequent crises resulting from it have clearly shown that capital market legislation must clearly emphasise consumer interests (borrowers, investors, consumers, who are participating in payment processes).

Special details and targets are regulations of the securities markets (within the scope of the MiFID, hedge funds), but also financial intermediaries (insurance brokers, stockbrokers). In view of the huge losses, which occurred in various securities and investment categories, the AK is also in favour of a speedy implementation of class actions.

4.2. Justice

The AK criticises that the targets submitted are very general and do not provide any details about the work of the EC in the new financial period. However, one has to ask the question where the civil law sector is located and why only cross-border cooperation in the area of criminal prosecution has been mentioned. The AK suggests to place a focus on the cross-border implementation of consumer claims (e.g. in the sector of online transactions) resp. in respect of employment contracts.

The suggestion under instruments is to combine the programmes “Justice” and “Union citizenship and rights” and to concentrate on all four EU key points: judicial training, strengthening of the networks, cross-border cooperation regarding prosecution and information and awareness campaigns. In particular in respect of the latter it is highly questionable if even more information campaigns (in form of glossy brochures and additional websites) are really necessary resp. sensible. With regard to the training mentioned and the development of networks, the EC should aim at balancing participants and interests and equally consider trade unions, labour representatives, consumer organisations and NGOs as well as which topics to choose. EUROJUST the European Institute for Gender Equality and the European Union Agency for Fundamental Rights will continue to be funded, which is to be welcomed.

5. Administration

The AK is critical of the proposal to reduce administrative expenditure by cutting up to 5 % of personnel in all bodies, organisations and agencies of the Union; in particular in view of the new competencies at European level, which are a result of the Lisbon Treaty and the economic framework conditions. Even though we understand the approach, that in view of the drastic austerity programmes in the Member States, the European Union also wants to show solidarity, we doubt that redundancies are the only option to demonstrate the willingness to use resources economically.

6. Revenue side

In order to finance the EU budget, the EC proposes the introduction of a EU Financial Transaction Tax (FTT) from 1.1.2018. This is to be welcomed; however, the approval is not without reservations. The EC expects a tax revenue of 37 billion Euro in 2020. The document does not go into any detail whether this is only a partial amount of the revenue and whether the remainder will go to the Member States, or whether the EC plans to structure the FTT in such a way, that only such a small revenue is to be expected. The AK demands to introduce the **Financial Transaction Tax** with relevant revenue in **2014**.

Based on taxation of 0.05 % depending on transaction volume, the study by Schulmeister⁸ shows a revenue of 180 to 234 billion Euro for the year 2011. Based on these contributions, it would be possible to dispense with the new VAT revenue as described below.

However, the financing of the EU budget by a EU FTT is to be welcomed on principle. Due to the fact that the Multiannual Financial Framework specifies fixed spending limits (different from the Austrian Budget binding for all years in advance), there is no danger to over expand the budget. In contrast, based on this, Austria's Gross National Income (GNI) resources will be reduced.

The EC proposes a **new Value Added Tax (VAT) revenue** as a **second new source of capital resources**, which is to replace the very complicated current VAT resources. The abolishment of the current VAT resources is to be welcomed due to the complexity of the calculation. However, from a distribution aspect the consideration of introducing a new VAT revenue has to be rejected. In particular, as it does not even include a control effect of some eco taxes, which were originally considered (e.g. kerosene levy).

The AK supports the introduction of a corporation tax levy on a harmonised corporation tax to make the profiteers of the Single Market share in the costs; however, this has not been considered in the proposals.

The reform of the correction mechanism as well as the other simplifications suggested have to be welcomed on principle within the sense of efficiency and transparency; however, they should not result in an automatic increase in contributions for Austria.

⁸ Stephan Schulmeister (2011) Implementation of a General Financial Transactions Tax, Vienna 2011

Should you have any further questions
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