



January 2008  
AK Position Paper

# Commission Communication “A single market for 21st century Europe”

## About Us

**The Federal Chamber of Labour is by law representing the interests of about 3 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.

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 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labor.

Herbert Tumpel  
President

Werner Muhm  
Director

## Executive Summary

The AK acknowledges that the single market review carried out by the European Commission contains positive approaches to consumer protection, for example in the area of financial services, consumer contractual rights, collective redress and the creation of a consumer scoreboard. In spite of this, we would like to point out that, in addition to SMEs, consumers and citizens, workers should also be included at any rate as a group that the single market should provide more for in future (cf page 3 single market communication).

The Commission at least ascertains on another occasion that workers' rights need to be guaranteed and a level playing field maintained notably through the correct application of EU labour law. Unfortunately, the Commission stops at these very declarations of intent – concrete proposals for laws or measures to prevent wage and social dumping are completely absent.

The Commission's position on services of general interest (SGI) is in no way comprehensible – it claims that "in the light of the protocol on the Reform Treaty", a legal framework for SGI should be dispensable. The AK continues to advocate a framework law for public services whose aim is to establish fundamental principles and conditions for the provision of these services in favour of EU citizens and would like to emphasize that a new legal basis for a framework law should be incorporated into primary law especially because of the Lisbon Treaty.

## Basic observations

European citizens should be perceived as workers with legitimate protection interests apart from their role as “consumers”.

The AK advocates in particular that the Commission perceives European citizens as workers with legitimate protection interests, and not just in their role as “consumers”, which is first and foremost about the consumption of goods and services. Unfortunately, the Communication on hand “A single market for 21st century Europe”, COM(2007) 724 final (hereinafter: single market communication) scarcely documents a change of direction on the part of the European Commission towards a more social European single market policy. On several occasions in the Communication, the Commission extols the successes of the previous single market concept – once again, the Commission would like to achieve single market acceptance on the part of EU citizens by creating more competition (p. 9 single market communication).

From the workers’ point of view, the answer to this is that the single market has achieved little hitherto, above all in terms of reducing basic unemployment. The current improved employment situation can be put down more or less to better economic conditions – it would be presumptuous to want to link this upturn to the changing context. Significant rises in employment in the area of undesirable part-time employment or other precarious working conditions also need to be pointed out.

In the present Communication, the Commission argues that the single market concept was originally conceived for an economy reliant on primary products and manufactured goods. Since services are now the dominant economic force, the single market concept is also being added to this area. It emphasises among other things that this sector accounts for 68% of employment and 96% of the new jobs created. However, it fails to mention that the services sector is distinguished notably by a large low-wage segment, rapid growth in the percentage of workers with fixed-term or other unstable contracts, long and antisocial working hours, ever greater flexibility in terms of working hours and a considerable number of women, migrants, young and poorly qualified workers, as a current study by the European Trade Union Institute examines in detail. Measures urgently need to be taken to counteract these trends. There are scarcely any approaches for dealing with this in the Commission documents.

# 1. „Empowering consumers and SMEs” (Point 2.1, single market communication)

The following statements are geared to the systematology of the single market communication and the other documents submitted together with the Communication. The first part contains comments on the individual plans cited by the Commission in the single market communication followed by the AK’s position on the documents on services of general interest, financial services as well as the Commission’s new social vision:

## **Consumer acquis and redress**

The AK supports Commission plans that cause the single market to provide consumers with more tangible benefits and will improve the legal position of consumers. The AK has already set forth its basic position on the review of the EU consumer acquis mentioned in its position paper on the Green Paper on Consumer Protection. In summary, one can say that the AK considers initiatives on consumer contractual rights and collective redress to be positive. Updating the consumer acquis is necessary in many ways in order to be equal to the changing market context, notably technological progress and with its new challenges.

However, the approach as presented by the Commission in the Green Paper on Consumer Protection is distinguished by the fact that several directives on the acquis, e.g. the directive on package travel 90/314/EC, were omitted completely as well as planned measures, e.g. on distance selling, were not really

put into concrete form. In addition, the AK has serious misgivings over the strategic approach that the European Commission would like to pursue in its revision of the consumer acquis: full harmonisation in general. This leads to EU consumer protection rules being reduced to a small common denominator as well as a complete loss of consumer policy scope at national level. Deterioration in the consumer protection rules of the individual Member States is also inevitably connected with this. For further details of the AK’s position on the Green Paper “on the Review of the Consumer Acquis” of 9 May 2007.

What is important in this context is that we ensure in the event of legal disputes that go beyond state borders that consumers are confident that the place of jurisdiction and applicable law lie in the native country of the consumers.

## **Product labelling**

Reference should be made to the fact that the lack of transparency of products frequently created by the marketing departments of companies, for instance in the telecoms sector and financial services sector, already make it impossible to compare prices and quality at national level, let alone at European level. This also includes CE marking on products mentioned in the Communication, which are currently more misleading to consumers than informative.

Updating the consumer acquis is necessary in many ways in order to be equal to the changing market context.

AK advocates simplified nutrition information with indicative elements on the front and backside of all products.

The AK calls for these to either be abolished or converted into an effective information tool.

Access to quality retail financial services  
The situation of consumers in the area of financial services in particular is a precarious one. Products are becoming increasingly complex and the risk for consumers, in view of the often considerable sums involved, is high. Efforts to foster financial literacy, to allow consumers to move freely between providers and switch bank accounts easily and do away with anticompetitive product tying would be welcomed. However, we are critical of efforts to open up financial markets for consumers without a corresponding framework of protective measures. The fact that consumers are now being offered products from abroad that they have hitherto not been offered by their national providers due to aggressive sales methods holds the risk that consumers will in future be more exposed to the risk of buying products that are wrong for them.

### Food safety

In its Communication, the Commission presents an "initiative on food and nutrition labelling". With regard to nutrition labelling, the AK advocates simplified nutrition information with indicative elements (e.g. colours, proposal for "traffic light nutritional signposting system") on the front of the products, with „large nutrition labelling“ on the rear. This has also proved to be the system that is best understood by consumers in British studies. The AK rejects percentages for fictive daily values like those proposed for example in the last "Non-Paper" published by DG SANCO. These are often not understood properly by consumers, as verified by a BEUC survey, a study by the British Food Standards Agency and a very recent Dutch test. If daily values are already given as reference values, then these need to be geared to nutritionist guidelines: max. 30-35% of daily energy is fat, 15-20% protein, the rest carbohydrates, but only max. 10% of daily energy in the form of sugar (2,000 Kcal = 53g sugar and not almost double that as mentioned in the "Non-Paper" for the guidelines on sugar – namely 90g).

AK opposes efforts to enable pharmaceutical companies to send consumers information on drugs directly.

### Pharmaceuticals

The AK has reservations about the plan for „improved access to information on pharmaceutical products“. If this means that information on drugs – clearly for consumers – is made available on the Internet e.g. on the web pages of health authorities (or EMEA), then the AK would endorse it. However, efforts are being made to enable pharmaceutical companies to send consumers information on drugs directly („non promotion material“). Such an approach is forbidden up to now – consumer organisations and the AK are against this plan, although Commissioner Verheugen supports it explicitly.

### Consumer scoreboard

The creation of a „consumer scoreboard“ tool offers the possibility that the consumers’ voice can be heard. Consumer organisations have been calling for market surveys in Europe for many years in order to be able to compare consumer prices throughout Europe.

### A Small Business Act for Europe

The key word SME and the „think small first“ principle that is often quoted in connection with it constitutes either a gross simplification or is misleading. We would like to stress that 99.6% of all businesses in Austria and some 99.8% of all businesses in the EU on average come under the status of an SME. In practice, all calls for relief, incentives etc. for SMEs therefore refer in reality to the entire business sector. Only just under 1% of businesses would not benefit from them.

As the AK sees it, the Commission should therefore be asked when making all relevant proposals to see to it that such measures do not lead in practice to a further shift in strains / deterioration to the detriment of workers or e.g. a reduction in security and protection levels (environment, local residents, transparency, worker protection, consumers, comprehensive care/support etc.). This should also be considered in particular under the slogan „reducing unnecessary administrative burdens“.

AK advocates EU-wide standardisation of the tax base and setting minimum rates.

It would be appropriate at any rate to bring about important improvements first of all at EU level under the key words „SME“ on the one hand and „access to EU programmes“ on the other. In terms of national development programmes, the administrative expenses for applicants are at any rate much lower than for EU programmes, the chances of a positive decision on support are much higher at national level and the time span from submission to the first grants being paid out for national programmes is as a rule a fraction compared with EU programmes.

We welcome the fact that the Commission would like to consider how to further improve SMEs' access to public procurement.

#### **Improving the tax environment**

The single market communication talks about “allowing companies to choose an EU-wide tax base”. The AK advocates EU-wide standardisation of the tax base and setting minimum rates. However, such a standardised tax base needs to be binding – the AK declares itself against an option model for companies provided the remarks made by the Commission are taken to mean this. Such a model could further intensify cross-border tax competition.



## 2. „Making globalisation deliver for Europe“ (Point 2.2; SEC(2007) 1519)

In the chapter „Making globalisation deliver for Europe“, the report is geared to three objectives in essence: better market access for EU companies to third markets (above all China, India, Korea, South America), exporting European standards and values as well as lower consumer prices for Europeans.

### **Better access to other markets**

Unlike the EU trade agenda „Global Europe“, the report strives to raise standards on the environment, safety, health, financial market regulation, competition etc. in another European state. However, it fails to mention social standards – in particular compliance with minimum ILO labour standards. The AK declares itself in favour of giving preference also in future to the multilateral negotiation line over the bilateral one in principle. Within the framework of bilateral negotiations, we believe that it is even more necessary to strengthen the chapters on sustainable development and in particular binding compliance with internationally recognised minimum ILO labour standards.

In connection with the active use of trade policy tools mentioned, the AK is fundamentally against weakening the existing trade protection tools and would like to retain above all orientation towards the interests of production in the EU and its workers. Antidumping measures and other protection measures should always be used if unfair trade practices result in jobs in the EU being endangered or an industry is threatened by serious losses. The AK calls for the disregard of minimum ILO labour standards to form a criterion for the application of trade protection measures in future in order to help fight social dumping.

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AK declares itself in favour of giving preference to the multilateral negotiation line.

**Expanding the regulatory space of the single market...” (transferring European standards and values)**

The AK does not share the basic approach of presenting single market regulation in this form as “Best Practice” at international level and implementing it by establishing bilateral and multilateral negotiations. Despite several positive examples of European regulation (e.g. in consumer policy or anti-discrimination), it should be stressed that sensible national standards have also been razed due to single market regulation. In addition, problematic deregulation of economic and social protection interests has occurred e.g. whilst liberalising public services at EU level. The AK is against forcing this unsuccessful regulation model on other countries during trade negotiations. We consider a more cautious approach to be necessary here – one that should be based above all on regulatory dialogue and cooperation with third countries.

**„Ensuring that the benefits of openness reach European citizens”**

Apart from better standards, when talking about greater choice of goods and in particular lower prices we need to see to it that minimum standards are made binding on a global scale in order to stem social dumping at least at a rudimentary level.

### 3. „New frontiers: knowledge and innovation“ (Point 2.3, single market communication)

There is a need to make every effort to reduce the digital divide and make broadband services accessible, affordable and available to all.

Electronic communication services are an important factor in growth and employment, and they are also a key tool in social contact and participation in social life. It is all the more important to enable as many people as possible to have access to these communication devices. However, various groups of people are excluded at present from using high-quality communication possibilities (broadband) for various reasons like lack of training, low financial possibilities or even a lack of sufficient infrastructure for example in rural regions. We therefore need to make every effort to reduce the digital divide and make broadband services accessible, affordable and available to all.

Electronic communication services make it easier to provide other services even over greater distances. Whilst an „e-Internal Market“ can benefit consumers in many ways (in particular price advantages), it also of course holds dangers. For the good functioning of the „e-Internal Market“, safety and the protection of consumers are basic prerequisites and need to be strengthened more.

The section „Mobility of researchers“ mentions the introduction of a “researcher passport”. It is not quite clear what is meant by this. If it means a „scientific visa“ for researchers from third countries, then this would be a delicate topic for the AK. It depends on the details and the form in which such a visa is to be introduced.

## 4. „The social, environmental and cohesion dimensions“ (Point 2.4, single market communication)

The depiction is one-sided in so far as the positive effects of market opening and economic integration are stressed, whilst the disadvantages are largely ignored and the socially disadvantageous effects of integration are not cited.

The report emphasises that the concerns of some (!) workers about the changes are legitimate and must be addressed (p. 12, first paragraph). However, it fails to clearly admit that technological progress, economic integration and globalisation also bring with them social disadvantages. It merely acknowledges that some workers have difficulty adapting and see these wider processes as a threat.

Whilst the conclusion that workers' rights need to be guaranteed and a level playing field maintained, notably through the correct application of EU labour law, should be welcomed, the report unfortunately stops at this declaration of intent. The measures referred to in Box 4 do not provide for any steps whatsoever for preventing wage and social dumping as a result of cross-border employment from countries with a much lower wage level.

Even though it has been known for years that compliance with the wage and working conditions of workers employed across borders is not guaranteed in many cases despite the Posting of Workers Directive and even though it is common knowledge that there is a need for action here at European level, this point is not mentioned once. The report puts the case more for facilitating workers' mobility and for an end to transitional arrangements whilst failing to mention the safety of the working and employment conditions of the workers affected here.

To guarantee workers' rights there is a need of more than just a declaration of intent.

## 5. Commission Communication COM (2007) 725 final, taking into account SEC (2007) 1514 & 1516.

After several attempts over the last 10 years, the Commission is again trying to resolve the area of conflict that is legally and politically extremely delicate between public services on the one hand and single market rules and competition rules on the other. In the process, it is known that the discussion refers notably to the aspects of better legal certainty for public service providers as well as a legislative counterbalance to the Commission's one-sided liberalisation policy. At the same time, the concerns of users and consumers should be met just like those of politically responsible regional authorities as well as (public) enterprises and their employees.

### **A binding framework law to protect public services**

To this end, the AK proposes – not least in line with the ETUC and many other unions and other organisations at European and national level – a so-called framework law in favour of public services. This framework law should establish the key principles and conditions for the provision of these services in favour of EU citizens. This includes in particular:

- The primacy of functioning services of general economic interest over the principles of the single market and competition as laid out not least in Article 86 Para 2 of the EC Treaty;

- The guarantee of general, non-discriminatory, comprehensive and reasonable access to the services in question as well as a strengthening of consumer rights;
- The principle of subsidiarity and the possibility of populist decision-making as well as respect for national practices like local government law. This also calls for a political correction of a Court of Justice ruling on so-called “in-house” services in the area of public procurement that should be considered excessive;
- Legal, planning and investment certainty for public authorities when providing and financing public services;
- A comprehensive evaluation of previous liberalisation measures with due regard to the political, economic, social and environmental impact as well as
- The proactive inclusion of workers and their representations in all measures to be taken.

The AK therefore notes with considerable disappointment the Commission's cautious position on the need to protect public services.

In favor of public services AK proposes a so-called framework law.

These services, which are known as services of general (economic) interest for the most part in EU parlance, form an essential part of the European social model.

It seems almost indicative of the Commission's view that such services are only perceived as „additions“ in the form of a document accompanying the single market communication. However, we should reject above all the Commission's position of withholding protection provisions from these important services in the form of a general legal framework or a framework law.

At the same time, the arguments that the Commission puts forward for its approach are also not convincing. In connection with this, the reference to the dispensability of a framework law in the light of the Protocol on services of general interest in the Lisbon Treaty appears almost cynical. For this protocol by no means brings – as the Commission claims – “the necessary clarity and certainty to EU rules” (cf Communication, p. 3). The legal relevance of the protocol should already be questioned to a large extent. The appeal expressed in the protocol is no replacement for a framework law – on the contrary – it is just another plea to create it. In connection with this, we would also like to point to the – just as with the Lisbon Treaty – new legal basis for a framework law in the form of Article 14 Treaty on the Functioning of the European Union as well as Article 36 of the Charter of

Fundamental Rights, which should be incorporated into primary law with the Lisbon Treaty (apart from territorial exceptions).

It is therefore incomprehensible that the Commission rejects this at a time when the legal way should be paved for a framework law. Unlike the Commission, the AK adheres to the idea of a framework law particularly because of the primary law developments that are now opening up.

Finally creating legal certainty and recognising the limits of Community internal market rules and competition rules

The AK also notes with great concern the recent confusion over the difference between economic and non-economic services. This distinction plays a decisive role in this discussion in so far as only economic activities (services) are covered by internal market and competition rules in principle. The aforementioned protocol on the Lisbon Treaty also heads in this direction.

The Commission expresses itself as follows on the issue of distinguishing between economic and non-economic services, which is need of clarification: it is not the sector or the status of an entity carrying out a service nor the way in which it is funded which determines whether its activities are deemed economic or non-economic. “It is the nature of the activity itself” (cf Communication 2007, 725, p. 5), although this should clearly – if we continue to follow the remarks on p. 6

A review of cross-sectoral evaluation method should also examine the change in quality and prices for lower income consumer groups.

of Communication 2007, 725 – not be equated with the “nature of service”; according to the Commission, the economic nature of a service depends rather “on the way a given activity is actually provided, organised and financed”. In view of such clear contradictions, one is almost condemned to fail when trying to establish a concise meaning. However, the message is clear: as many activities as possible should be identified as “economic” within the meaning of Community law in order to be subject to internal market rules and competition rules.

#### **Interactive information service**

In this respect, the AK also views the planned interactive information service, as envisaged in the Communication (Communication 2007, 725, p. 13) with a certain scepticism. Whilst the idea of permanent dialogue between the Commission and public authorities from the Member States, as well as with citizens, is very much welcome at first glance, we should remember one thing: the planned dialogue platform will be avoided by the Member States as long as they are afraid of bringing treaty violation proceedings against themselves. Regarding this, the fact that they have every reason to be worried is also suggested not least by remarks in the Commission’s working documents on frequently asked questions concerning the application of EC public procurement rules well as State aid rules (see below).

#### **Evaluation announced is positive**

The AK expects great things of the Commission’s announcement to present to Parliament a comprehensive analysis of the effects of „liberalisation” to date in 2008. Particularly as AK has reached rather sobering conclusions on liberalisation to date from numerous studies it has carried out (from the perspective of workers), we expect greater understanding from the Commission of our critical objections made from time to time (see <http://wien.arbeiterkammer.at/www-3682.html> for more info on the studies). With regard to reviewing the cross-sectoral evaluation method, we continue to consider it important on the one hand to examine the change in quality and prices for lower-income consumer groups as well. On the other – based on the studies mentioned and commissioned by AK – the focus should also be on the effects on working conditions in the industries affected. Before we have a comprehensive picture of the effects of the liberalisation policy to date, we should at any rate abandon further sectoral market opening. This concerns notably the sectors water, waste, health, social services and not least „ownership unbundling” contemplated in the energy sector.

#### **Respecting the special role of social services**

It is particularly unfortunate to see those services that were hitherto assumed

## 6. Working document „Initiatives in the area of retail financial services“, SEC(2007) 1520.

to not be of an economic nature being subjected to the internal market rules and competition rules. This concerns namely social services (of general interest). The Commission's working documents on frequently asked questions concerning the application of EC public procurement rules as well as State aid rules in particular show that such services are already subject to internal market provisions from time to time.

In the area of public procurement rules, Doc SEC (2007) 1514, the Commission endeavours to shed a little light on an extremely complex field of law using numerous FAQs. However, at the same time we should also query the fact that the Commission clearly assumes that e.g. NGOs that provide social services should be treated in principle like a conventional enterprise (without any privileges). Regardless of having developed tailor-made service concepts (cf Question 2.2, p. 8 of the document), an established NGO for example might not obtain a further contract even though its employees had built up a personal relationship in the meantime with clients they have served. This approach would clearly prevent competition and it would also be discriminatory. The possibility that the organisations affected and their staff are required to be familiar with the local context also does not alter things (cf Question 2.6, p. 11 of the document). There is for example ultimately a difference between the general ability to provide certain areas of a city with social services and the relationship of personal

trust with individual groups of youngsters that has actually been acquired. In addition, we should also not ignore the fact that the application of competition principles can also stand in the way of the social commitment of some who are active in the social sector.

The interpretation of the ECJ's Sodemare ruling is still incomprehensible. According to the judgment in case C-70/95, Sodemare, the state is free to limit the selection of certain services to non-profit service providers. Nevertheless, the Commission severely restricts such possibilities with no discernible reason. Individual contracting authorities cannot decide themselves to limit a tender procedure to non-profit service providers without a specific legal foundation (cf Question 2.7, p. 12 of the document). And such legal foundations can only be introduced in exceptional cases. In our opinion, such restrictions are not covered by court rulings.

In the area of State aid rules, Doc SEC 2007, 1516, the Commission will also come across little understanding despite occasional efforts when it wishes to clear up frequently asked questions. An example of this is the stipulation that State aid rules would apply to a shelter for women run by an NGO (cf Question 2.7)!

As a result, the AK adheres to its fundamentally critical position on EC policy in the area of social services not least against this background (cf its

AK adheres to its fundamentally critical position on EC policy in the area of social services.



AK advocates ensuring comprehensive, sufficient care for patients close to their place of residence.

opinion of 22 December 2006 on the EU Commission questionnaire on social services of general interest).

With regard to social services, their often special characteristics, which are also mentioned in the present Communication in part (cf Communication 2007, 725, p. 8), should be recognised as structural signs of incompatibility in the light of the judgment on market rules. On the other hand, this means neither that Member States should not be able, in terms of subsidiarity, to organise social services beyond the market (with due regard to Community law if necessary), nor that the EU should delete the topic of social services altogether from its programme. Whilst safeguarding Member State competence, we should therefore welcome – as the Commission also announces in its Communication (cf p. 16 of Communication 2007, 725) – developing social services appropriately under the method of open coordination.

### **Health services**

With regard to the planned Commission proposal for a directive on health services, the AK would also like to point to the particular sensitivity of these services. The AK advocates in particular ensuring comprehensive, sufficient care for patients close to their place of residence, avoiding underprovision of insured persons in Austria and in host countries as well as state regulation vis-à-vis organisation and access to health services that meet people's needs. As regards detailed demands on health services, we refer to the AK position on the Communication from the Commission on the consultation regarding "Community action on health services" of 25 January 2007.

## 6. Working document „Initiatives in the area of retail financial services“, SEC(2007) 1520.

The AK estimates that financial service providers from other EU Member States have very limited interest in part in offering their financial services in Austria. The most likely to register an interest are for instance direct banks with savings products as well as a few German life insurance companies clearly looking to make inroads into Austria. We estimate that mortgage loans from other EU countries to Austrian consumers do not play a perceptible role.

### **Mortgage loans**

Research carried out by the AK on the quality of advice offered to those considering mortgage loans reveals that the voluntary EU code of conduct on preliminary contract information concerning loans for living purposes in Austria is applied by banks and building societies insufficiently. A uniform level of protection is best guaranteed by enshrining information obligations in law.

### **Financial intermediaries**

We welcome rules for financial intermediaries involving codes of conduct and covering sales advice and advertising in particular. Financial service products are very special products that are not easy for consumers to understand and where there are problems in initiation especially when it comes to financial intermediation. In the AK's opinion, it is therefore important that "Best Advice" rules and training standards

for financial intermediaries are regulated across the EU.

### **Bundled products**

Complaints from bank customers in particular concerning product bundles in the area of credits/loans in combination with insurance products exist de facto. The AK has been calling for years for all incidental bank charges – and with it also the premiums for all life insurance products when concluding a credit agreement – to be included in the effective annual rate of interest in accordance with § 33 of the Banking Act (Bankwesengesetz / BWG).

### **Bank accounts**

Making it easier for consumers to change bank accounts would be welcome in principle. However, it should be stressed that there is a growing number of consumers in Austria who are being refused market access to basic financial services point blank. More and more people are turning to the AK who have been refused a current account with a bank. This exclusion from giro system services and payment services can have far-reaching consequences and serious economic disadvantages for those affected: after all, being gainfully employed presupposes as a rule that a bank account is maintained. Being refused access to payroll accounts is a hindrance in particular to unemployed persons wishing to gain access to the labour market: if the potential worker

AK requires "Best Advice" rules and training standards for financial intermediaries.

### AK demands lowered bank charges for cross-border transfers.

cannot produce bank account details, then the employer will in many cases decide not to recruit the person.

The administrative burden involved in paying wages in “cash” will appear too high or inadequate for many companies. Enshrining the right to a current bank account in law would therefore be considered an important contribution to the labour market policy.

This is why the AK has been calling for years for a legal right to hold a positive balance account with the usual current bank account charges – this should be guaranteed throughout the EU. Assigning such persons to individual banks akin to the conditions for liability insurance is also conceivable. We could also introduce an EU-wide regulation for a “European account”, which can be opened via the Internet. All we would need for this would be approval for an EU-wide signature, whereby the signature certification body would have to have exact data on the persons and would be responsible for maintaining these data on a regular basis. However, one of the difficulties in doing this might be that not all citizens have an Internet connection and that they are excluded from access to these services due to the expected automation and technologization of financial services.

### Payments

One of the AK’s key demands for payments is that the bank charges for cross-border transfers need to be lowered as these are still relatively high between the individual banks (apart from in Austria). The fact that each transfer from an account based in another European state is subject to the charge structure there represents an economic hindrance to consumers opening an account in another European state. In addition, the European Commission should also take a good look at those consumers – especially older consumers – that are unable to purchase cross-border financial service products or open bank accounts using new technologies (Internet, telephone banking etc).

## 7. Commission Communication COM(2007) 726 final

The AK welcomes this new initiative in principle, which is based on the consultation paper prepared by the Bureau of European Policy Advisers (BEPA) entitled "Europe's Social Reality". The Commission Communication comprises a wealth of pleasant-sounding declarations and objectives, although they often conflict remarkably with the policies pursued by the European Commission in reality.

This can be explained by two examples:

### **a. Main responsibility for the policy changes**

The Commission states that "Member States have the main responsibility for the policy changes that are necessary to translate this vision into reality" (p. 9). As we see it, this is only correct in part. It is true that the Member States still have the main responsibility for the policy changes. However, they come across barriers when exercising this responsibility: on the one hand, they encounter a single market with extremely varied national standards in the social, tax and wage area and on the other a monetary union with considerable influence on how their budgetary policy is structured as well as an autonomous ECB monetary policy.

This is why – if we are to develop a "new social vision for the 21st century" – the question of the EU's macroeconomic policy orientation needs to be picked out as a central theme.

### **b. Opportunities, access and solidarity The title of the Commission**

Communication is already a very promising one as it deals with "opportunities, access and solidarity" as the basis for a "new social vision for the 21st century". The Communication also often talks about opportunities ("to start well in life" etc., p. 6), access (ways to get an education, job market, healthcare, social protection and "participate in culture and society", p. 6) as well as solidarity ("to foster social cohesion", social sustainability and make sure that no individual is left behind, p. 6).

However, at the same time the EU Commission drives forward the liberalisation of sensitive services despite the resistance of many and categorically refuses to establish a legal framework for the protection of public services. Such contradictions between ideal declarations on the one hand and actual policies on the other are hardly suited to increasing the trust of citizens in the EU and its social dimension.

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