



## a newssheet for journalists

Weekly N° 8/95

27 February - 6 March 1995

### SUMMARY

- 2 EUROPEAN COMMISSION: It has a heavy workload for 1995 ...  
... ranging from employment to the information society and the fight against fraud.
  
- 4 A PEOPLE'S EUROPE: How to open up jobs in the public sector ...  
... to all Europeans? The Commission has suggestions to offer.
  
- 5 FREEDOM OF MOVEMENT FOR WORKERS: The European Court of Justice ...  
... has ruled against the discriminatory taxation of non-resident workers.
  
- 7 AIR TRANSPORT: Europe's skies to come under Community control?  
The European Parliament calls for the creation of a Community civil aviation authority to manage Europe's airspace.
  
- 9 HEALTH: Smoking costs the poor more dearly ...  
... particularly as they refuse to give it up.

Mailed from Brussels X

EUROPEAN COMMISSION: It has a heavy workload for 1995 ...

... ranging from employment to the information society and the fight against fraud.

1995 has all the appearances of a halfway house, coming as it does, after the launch of the single market on 1 January 1993, the coming into force of the Maastricht Treaty in November 1993 and the start of the second stage of economic and monetary union on 1 January 1994, but before the opening of the inter-governmental conference in 1996, when the Fifteen will try to improve the Maastricht Treaty. But for the European Commission it will be anything but a year of inactivity. This is clear from the size of its annual work programme, presented in mid-February by its new president, Jacques Santer.

At a time when the European Union is just emerging from an economic crisis, the first of the seven priorities the Commission has set itself for 1995 is "building a strong economy to create new jobs". In practice, it is a question of first consolidating and completing the single market, by ensuring strict observance of the existing rules and filling the gaps, starting with the elimination of checks on people at the EU's internal frontiers. It is also a question of coordinating the fight against unemployment at the European level more effectively: the Commission envisages a multilateral surveillance mechanism in the employment field, similar to that already created in the economic field. It is also a question of continuing with the development of the major European transport - with its high-speed trains - energy and telecommunications networks, even while bringing computers and information technology within reach of the general public and while continuing to help the most vulnerable and least well-off regions.

Social policy remains a priority, with help for employment and retraining and measures to promote equal opportunities for men and women and in the field of public health. Like his predecessor, Jacques Delors, the new Commission president is a firm believer in the virtues of a dialogue between employers, trade unions and the authorities.

At the same time the Commission is determined to manage the European Union even better by fighting fraud more effectively (see Eurofocus N° 7/95), making EU legislation clearer and more accessible, improving European statistics and keeping the public better informed.

The Commission will have its hands full also in those fields in which its powers remain limited, such as foreign policy and, above all, the fight against criminality and drugs and the creation of a European legal area.

Finally, the Commission must start preparing this year for the 15-nation conference to improve the Maastricht Treaty. The outcome of this conference will determine the kind of Europe we will have in the 21st century.

Anniversaries and all traditional occasions represent an opportunity to underline principles, as well as the obvious, as they are often forgotten. Thus Commission President Jacques Santer took the opportunity offered by the presentation of his team's first annual programme to remind everyone of just what the Commission, an institution that is at one and the same time both well-known and misunderstood, does and, reading between the lines, what it does not do.

The power of the European Commission which is the most striking and, without any doubt, also the most disparaged is the power to propose "European laws". The Commission even has a monopoly on this right to take the initiative. But its work as the architect of "European laws" begins before there is a draft proposal in due form and continues up to the implementation of the "laws" in question, in four stages.

The Commission begins by launching debates and ideas, poses questions, announces intentions in green papers or "communications". It then submits draft legislation or the draft of a decision to the European Union Council - the ministers of the 15 EU countries - and the European Parliament. The third stage sees the Commission trying to get Council and Parliament to adopt its proposals, and not to water them down; but the decision does not rest with the Commission. In the fourth and final stage it monitors the implementation of these "laws", calling on the EU Court of Justice in Luxembourg if necessary.

A PEOPLE'S EUROPE: How to open up jobs in the public sector ...

... to all Europeans? The Commission has suggestions to offer.

What is the point of the single market if one cannot work in another European Union country as a nurse, professor, air hostess or postman, on the grounds that such jobs are in the public sector? The European Commission, for its part, is determined to eliminate the restrictions and discrimination which exist, as the European Commissioner for social affairs, Pádraig Flynn, recently declared.

The Commission has targeted its activities on areas which employ large numbers of people, for which it has received numerous complaints from EU citizens and where the ground has already been cleared by the European Court of Justice. These areas are public transportation, including sea and air travel; posts and telecommunications; gas and electricity companies; radio and television; public health and, finally, education and civil research in public establishments.

The problem arises from the fact that Article 48 of the EEC Treaty, which guarantees the free movement of workers within the EU, stipulates that it does not apply to jobs in the civil service. The European Commission felt that governments were taking undue advantage of this particular clause. It therefore launched infringement proceedings against several Member States in 1990, and was thus able to settle a good number of cases. But where obstacles remained the Commission turned to the Court of Justice.

Commissioner Flynn has now suggested other forms of action. They include drawing up a list of all the obstacles which prevent European citizens from finding public sector jobs in other Member States; preparing guides for the use of candidates for such jobs and for public sector employers; encouraging civil servants dealing with such cases to exchange places with their counterparts from other EU countries for short periods and strengthening cooperation between the various national civil services. The EU Council in fact has before it a draft "European law" which extends EU rules on social security to the special schemes in force in the public sector.

FREEDOM OF MOVEMENT FOR WORKERS: The European Court of Justice ...

... has ruled against the discriminatory taxation of non-resident workers.

The European Union's Court of Justice handed down an important judgment on February 14, when it ruled against Germany, for refusing to grant the tax benefits enjoyed by residents to a Belgian worker, employed in Germany but resident in Belgium. The case in question dates back to 1988. Roland Schumacker is a Belgian citizen working in Germany but resident in Belgium, with his wife and their two children. His wife, who is unemployed, has received no unemployment benefits in Belgium since 1989. The family must therefore live on Roland's income, 90% of which represents the wages he earns in Germany.

Under the terms of a convention between Belgium and Germany, Mr. Schumacker's income is subject to tax in Germany. But he is taxed by the German authorities as if he were single, and therefore does not benefit from the various deductions available to married workers. As a result, Mr. Schumacker's take-home pay is smaller by some ECU 420\*.

When he asked the German tax authorities to be treated as a married worker, he was told that this was not possible as he was not resident in Germany. Mr. Schumacker argued in a local court that this was contrary to Article 48 of the EEC Treaty on the freedom of movement for workers, which bans any discrimination between workers of the Member States as regards remuneration. The German court turned to the EU Court of Justice in Luxembourg for clarification. The European Commission defended the stand taken by Mr. Schumacker before the Court, while the case argued by Germany was supported by four of its EU partners - Britain, Denmark, France and Greece.

In its ruling the Court held that Mr. Schumacker was being discriminated against, in violation of Article 48, and that the German tax authorities had to grant him the same fiscal advantages as are available to a worker resident in Germany and in a comparable situation. Germany had argued that it was up to the country of

... / ...

residence to take account of Mr. Schumacker's marital status. It maintained that the authorities in the country of residence were better placed to assess the worker's marital status and his contributory capacity; if this was taken into account in the country of employment, it could result in tax deductions being granted twice over. But in his case, Mr. Schumacker did not benefit from any deduction: Belgium could not grant him any allowances, given the low level of his earnings in his country of residence.

It is clear from the foregoing that when a non-resident worker obtains virtually all his income (75% of it at least) from employment outside his country of residence, and his earnings in his country of residence are so low that he cannot be taxed on the basis of his marital status, he must be taxed, in his country of employment, in the same way as a resident worker with the same marital status.

This ruling is doubly important. To begin with, in the absence of European legislation harmonizing national income tax rules, it confirms the European Commission in its right to have recourse to Article 48 of the Treaty in order to require Member States to tax non-resident workers as favourably as resident workers, if their income in their country of residence is not sufficient, and therefore does not allow the latter country to take their marital status into account. This ruling will set a precedent for all cross-border workers who find themselves in a situation similar to Mr. Schumacker's.

Next, the Court's ruling in the Schumacker case argues strongly the case for the harmonization of national income tax legislation. It is the absence of such harmonization which constrains European citizens who feel themselves to be victims of discrimination to embark on long and difficult proceedings before the courts in order to be proved right. It took Mr. Schumacker six years in all. The European Commission presented a draft directive in 1979 which sought to harmonize income tax legislation in order to guarantee the free movement of workers in the European Union. In 1992 it withdrew its draft, following the strong opposition of most EU countries. At the present time all decisions on tax matters at the Euro-

... / ...

pean level require a unanimous decision of the EU Council of Ministers, which explains the difficulties which face the Commission when it tries to secure progress in this field. Ending the unanimity rule could be a solution, and it may well be proposed during the 1996 inter-governmental conference on the reform of the EU's institutions.

\* 1 ECU = UK£0.79 or IR£0.80.

#### AIR TRANSPORT: Europe's skies to come under Community control?

The European Parliament calls for the creation of a Community civil aviation authority to manage Europe's airspace.

In 1990 civil aircraft carried some 1.25 billion passengers world-wide and transported roughly 22 million tonnes of freight. Europe accounts for 31% of the total distance covered by commercial flights, while the civil aviation industry contributes ECU 55 billion\* a year to the EU's economy. Nearly 400,000 are directly employed by this sector in Europe; the numbers indirectly employed are equally impressive, given that nearly 40% of tourists around the world fly to their holiday destinations.

But the sector has had a bumpy ride for a number of years now. European airlines, faced with costs which sometimes are as much as 40% higher than those of their American counterparts, are finding it increasingly difficult to remain competitive, and more than 10,000 jobs have disappeared since 1990. A substantial part of these running costs are not under the direct control of the airlines themselves, but arise from the charges they pay to the airports. These include airport taxes and air-traffic control, which are three times higher than in the United States because of the fragmented nature of European airspace.

... / ...

To remedy this problem the European Parliament has asked the European Commission to create just one system for the control and management of Community air traffic, to be placed under the aegis of a unified Community civil aviation authority. This authority would also have competence in matters of safety of air transport and would look after vocational training for the civil aviation industry. The Euro-MPs have asked the Commission to prepare a plan which would throw some light on all the political, legal, institutional, technical and scientific problems posed by the adoption of such a system.

The European Parliament has also called on the national civil aviation authorities to speed up the introduction of the rules which provide for the access of European airlines to intra-EU routes. In Parliament's view the rules of access to the air transport market and navigation rights must be transparent and non-discriminatory. It has therefore asked the Commission to verify that this is the case in fact. Euro-MPs are also of the view that the Community's airspace should be regarded as a priority in the context of the development of the major trans-European networks, in order to develop the necessary infrastructure. It is worth pointing out that most civil aviation accidents take place during take-off or landing; hence the need for good ground installations.

The European Parliament also believes that it is necessary to clarify the situation as regards state aids to airlines. On the one hand all demands for such aid should be accompanied by a global reorganization programme, the contents and implementation of which would be monitored by independent experts; on the other hand it would be necessary to adopt a regulation which sets out clearly the criteria which determine whether or not aid granted by a Member State is compatible with Community law.

The demands made by the Euro-MPs have been well received by the European Commissioner responsible for transport, Neil Kinnock. He has indicated that he intends to draw up a White Paper setting out the various stages leading to the creation of a genuine system of Community air-traffic control.

\* 1 ECU = UK£0.79 or IR£0.80.



HEALTH: Smoking costs the poor more dearly ...

... particularly as they refuse to give it up.

Higher taxes on tobacco products would have negative effects on a minority consisting of the poorest families, even though it might benefit the majority by reducing cigarette consumption.

Paradoxically, taxes on tobacco help reduce consumption among a minority of smokers, notably among those who are very well off, but have no effect on those who smoke the most and who in the end do not have the necessary means: low-income families.

These are among the findings of a study carried out in the UK by the Policy Studies Institute of 2,000 low-income families, and published last year under the title "Poor smokers". According to its authors, Alan Marsh and Stephen McKay, these families find it very difficult to stop smoking; rather than modify their habits they choose to spend less on such essentials as food and clothing.

It is very surprising, at first sight, that the large tobacco companies do not take advantage of such arguments to press for a reduction in the taxes on cigarettes. But it is hardly in their interest to underline the fact that poor equals smoker, as it would damage the cigarette's image. Studies carried out over a long period of time all show that tobacco addiction is concentrated increasingly on the poor, and more particularly on women. This is a finding which is confirmed by the growth and spread of this phenomenon in the developing countries.

But the report goes further: it shows that income inequalities have only increased, particularly among families with children. At the same time cigarette consumption among the poorest is anything but on the decline, despite the fact that increased taxes on tobacco have regularly resulted, in the last 15 years, in price increases for cigarettes which exceed the rate of inflation.

The report concludes by pointing to the need for detailed research into the relationship between being socially disadvantaged and tobacco addiction, particularly in the case of women. The report suggests that at least a part of the substantial income generated by taxes should be devoted to fighting the stranglehold which tobacco addiction has on the poor.