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PRESS RELEASE

COLIBI, COLIPED and ETRA ask UK Presidency for lower VAT in the bicycle business

Gent, 1 July 2005 - Today, the UK is taking up the EU Presidency until the end of the year. As a result, ETRA, COLIBI and COLIPED have jointly raised the matter of VAT reduction for all bicycle products and services with UK Prime Minister Tony Blair and Chancellor of the Exchequer Gordon Brown.

During their Presidency, Luxemburg has proposed a compromise for the harmonisation of the reduced VAT rate as well as for the extension of the experiment with a reduced VAT rate on labour-intensive services until 2015. The Council however failed to reach an agreement on that compromise proposal.

Although the three trade associations are in favour of the extension of the experiment, which includes bicycle repairs, until 2015, they are convinced that all bicycle products and services actually belong in Annex H of the Sixth VAT Directive. That would allow member states to apply the reduced instead of the standard rate, and this not only to bicycle repairs, but also to the sales of bicycles, components, accessories and all bicycle services.

According to COLIBI, COLIPED and ETRA, this addition to Annex H is fully justified for social and environmental reasons. They have argued this in a position paper, which was submitted to the Commission in March 2003. Since, the argumentation has been reiterated on several occasions to national finance ministers, MEPs and the Commission.

In his speech addressed to the European Parliament on 23 June, Mr. Blair has referred to the Kok report, which shows the way to achieve a modernised social model in Europe. Among the elements he quoted from the report there was investment in active labour market policies, in urban regeneration and in help for small businesses. In their letter, COLIBI, COLIPED and ETRA have indicated that creating the possibility of a reduced VAT rate for all bicycle products and services equals an investment in those three elements.

They also explained that bicycle businesses have labour-intensive activities. Moreover, they do convince people to use a bike rather than a car for short trips, which in term contributes to urban regeneration. Finally, the overall majority of bicycle businesses are small to very small, usually family businesses.

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COLIBI is the Association of the European Bicycle Industry. COLIPED is the Association of the European Two-wheeler Parts' & Accessories' Industry. COLIBI & COLIPED represent more than 300 manufacturing companies in 13 European member states: Austria, Belgium, Czech Republic Denmark, Finland, France, Germany, Hungary, Italy, Portugal, Spain, The Netherlands, United Kingdom.

ETRA is the European association for independent bicycle, moped and motorcycle retailers, representing some 6,000 companies, which employ approximately 14,000 people, throughout Europe.

In the letter, COLIBI, COLIPED and ETRA also indicated that the possible application of the reduced VAT rate for all bicycle products and services will be beneficial to the environment and will therefore contribute to sustainable development. Consequently, it will be useful in combating climate change. These three issues are mentioned among the UK Presidency priorities.

The loss of income for national treasuries caused by reducing the VAT rate would be amply compensated by numerous benefits, which cannot possibly be calculated. One example: the Dutch organisation “Cycle to Work” campaigns for people to use the bicycle instead of the car for commuting. In 2004, more than 22,200 people participated. All together, they travelled almost 12 million kilometres, thus avoiding some 2.37 tons of CO2 emissions!

Moreover, VAT reduction will have several derived positive effects that will compensate the loss of income. Following increased cycle usage motorised traffic will reduce, which in turn will result in a decrease of external costs caused by motorised traffic. Traffic safety will improve and as a result costs caused by traffic accidents will decrease. Public health will also improve, not only because people get more exercise but also as a result of less emissions. This will lead to less medical expenses. Following VAT reduction, the turnover in the bicycle business will increase. Therefore revenues from VAT and direct taxes will also go up. Finally, employment in the bicycle business will grow, which will result in increasing revenues from social security.

COLIBI, COLIPED and ETRA believe that the application of the reduced VAT rate would be conclusive proof of the fact that the European Union is actually doing something about the integration of environmental protection in fiscal policy. It would also give the initial impetus to recognising and sustaining for the first time and at European level the valuable role the bicycle can play in solving traffic and environmental problems.

Not for publication: should you require further details and/or a copy of the COLIBI, COLIPED, ETRA position paper please contact Annick Roetynck at ETRA, tel. +32 9 233 60 05, E-mail: etra@pandora.be or Greet Engelen at COLIBI/COLIPED, tel. +32 2 778 64 58, E-mail: greet.engelen@coliped.com

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