



Policy Focus

A bi-monthly review of major policy developments in Brussels, London and Washington, prepared for BABC member companies

January 2009

BritishAmerican Business Policy Update:

Aviation Duty

► Following our various representations to British Government Ministers about the negative impact of their proposed Aviation Duty on commercial and freight airlines, and on the business community generally, the Chancellor of the Exchequer reported in November that the government had decided to abandon these proposals. Instead, the government would be restructuring APD along 4 distance bands, with a higher tariff for longer flights. We are pleased that the originally-proposed duty has been scrapped. And we will continue to make representations to government highlighting our separate concerns about the potential negative impact of their new proposals on passengers, particularly long distance business travellers, and on UK and US commercial airlines to the advantage of their European competitors.

London

House Prices Fall 15.9% in 2008

According to a survey released on January 6th by the Nationwide Building Society, house prices fell in the United Kingdom by 15.9% last year. They also found that prices had fallen every month for 14 consecutive months. Chief Economist Fionnula Earley said, "We did not anticipate the speed of house price falls...Until the economy and the labor market stabilize, it is hard to imagine households becoming upbeat about the immediate future for house prices and this will hinder the pace of recovery."

[LINK](#)

London

FSA Will End Ban on Short-Selling

The Financial Services Authority announced on January 6th that it will not be renewing the restrictions on short selling when the current ban ends on January 16th

Brussels

Challenges for Czech Presidency

The Czech Republic took over the six months rotating Presidency of the European Union on January 1st. The country, which has been a member of the EU since 2004, faces a number of challenges during its six month tenure. These include the current economic crisis, the conflict between Israel and Palestine and the dispute between Russia and the Ukraine over gas prices.

[LINK](#)

Brussels

Russian Gas Row Impacts European Supplies

The current dispute between Russia and Ukraine over gas pricing has had a domino effect on a number of other European countries. As a result of Russia terminating the gas supply to Ukraine on January 4th, supplies to Bulgaria, Greece, Macedonia and Turkey have also been affected, with Bulgaria relying completely on Russia for all of its gas.

[LINK](#)

Brussels

Eurozone Inflation at 2-Year Low

Inflation in Eurozone countries fell to its lowest level for two years in December according to EU official estimates. It dropped to 1.6 percent in December, down from 2.1 percent in November raising speculation of interest rate cuts. Vice President of the European Central Bank, Lucas Papademos said in an interview published on January 5th, "If in our assessment, the risks to price stability change further in the coming months, monetary policy could be eased further and we will act appropriately."

[LINK](#)

Washington

US Congress Sworn In

despite concerns from both the industry and politicians. John McFall, chairman of the Treasury Select Committee, said he did not believe the situation had improved enough to lift the ban. The FSA introduced the bar on short selling in response to the collapse of Lehman Brothers in October 2008.

[LINK](#)

London

UK Retailers to Close Record Number of Stores in 2009

Experian has predicted that the UK store vacancy rate will rise to 10 percent by February, compared to 7 percent in early January and will rise to 15 percent by the end of 2009, equating to approximately 135,000 empty shops. Experian's director of retail consultancy, Jonathan de Mello, said future failures of retailers would have "significant impact on high street returns" as well as severe knock on effects for suppliers and service providers.

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The most recent session of the United States Congress opened on January 6th. The new Congress sees increased strength for the Democrats in both houses, having gained seven seats in the Senate and 21 in the House of Representatives. It is anticipated that the Democrats will use their increased majority to push forward their agenda of dealing with the economic crisis, withdrawing troops from Iraq and expanding health care provisions.

[LINK](#)

Forthcoming External Events

London

- ▶ **January 29th**: The Future of the Mobile World Conference
- ▶ **February 12-13th**: 7th Annual European Corporate Restructuring Conference

Washington

- ▶ **January 23rd**: 15th Annual Wharton Private Equity and Venture Capital Conference
- ▶ **February 2-3rd**: 2009 National Healthcare Policy conference

Brussels

- ▶ **January 22-23rd**: ICT for a Global Sustainable Future Conference
- ▶ **January 16-17th**: Computers, Privacy & Data Protection Conference