

PRESS RELEASE

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## Being paid on time should become the norm!

Almost 67 days is an average late payment in Europe in commercial transactions with public administration worsening in the light of economic crisis. Business representatives, national and EU officials discussed with Madame Barbara WEILER, Member of European Parliament's IMCO Committee, newly appointed rapporteur of the Late Payments Directive, about combating late payments on 30 September in the Czech House. Businesses stressed the need to adopt and implement the Directive effectively and as soon as possible, welcomed stricter conditions for public administration and questioned the business-to-business (B2B) and business-to-consumer (B2C) relations in what regards late payments.

Commission's proposal to combat late payments between businesses or between businesses and public authorities published in April 2009 (revision of Directive 2000/35/EC) proposes compensation rights for recovery costs, statutory interest applicable when payment is not made within the contractual or for public administrations binding legal deadline (30 days) as well as 5% flat rate for public administration in case of late payment. Total value of late payments by public authorities amounts almost 270bn EUR, total of 80% GDP of EU27.



Jiří PLECITÝ, member of vice-president VERHEUGEN's Cabinet explained the principles of the proposal and said: "Late payments are bad in all cases, but late payments by public administrations is a luxury we cannot afford as businesses struggle to finance their operations in times of crisis." said PLECITÝ.

Madame Barbara WEILER, Member of IMCO Committee stressed the openness to discuss with all partners engaged when drafting her report. "The European Parliament is prepared to act, bearing in mind financial sanctions are not always the most effective tool to ensure paying on time. However, the different treatment of public authorities and private businesses proposed by the European Commission is not justified," stated WEILER.

European businesses very much welcome the proposed revision of Late Payments Directive, but have a few concerns regarding e.g. the exception clause for Member States not to obey the 30 days time period. "SMEs often do not really have contractual freedom when it comes to business-to-business relations and contracts with large companies, therefore we need a maximum payment period and compulsory interest charges", said Luc HENDRICKX, Director for Enterprise Policy of UEAPME. He also asked to include consumers in the scope of the directive. In some countries e.g. Italy, late payments in B2C transactions are even more important (30 days) than in B2B transactions (21 days). Erik SONNTAG, Advisor for Entrepreneurship & SMEs from BUSINESSEUROPE compared the total value of European Recovery Plans (200bn EUR) to the amount owned by public administration to businesses (180bn EUR) questioning what would be the easiest tool to combat economic crisis. "But legal provisions or additional sanctions alone might not be sufficient to help businesses to get their payment on time as they often do not use them in fear of damaging relations with their suppliers and customers. "Naming and shaming – or faming" could therefore be an additional tool to accelerate payment delays," said SONNTAG.

Member States are engaging tough discussions about the proposal in the respective Council working parties. Lucie ŠESTÁKOVÁ, Head of Internal Market Unit of the Czech Permanent Representation took the uneasy task to share Czech position to the proposal. "Czech government in general supports the proposal, especially in the light of economic difficulties. Nonetheless the criteria imposed on public administration need to be thoroughly examined not to cause yet more harm and "chain-effect" e.g. in case of public schools or hospitals," said ŠESTÁKOVÁ.

The Business Breakfast was organised by CEBRE – Czech Businesses Representation to the EU and the Czech Permanent Representation to the EU in the Czech House on 30 September 2009. For further details contact Michal Kadera, Director of CEBRE at [Michal.Kadera@cebre.cz](mailto:Michal.Kadera@cebre.cz) or visit: <http://cebre.cz/cz/docs/late-payments>.