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THE AMERICAN CHAMBER OF COMMERCE IN LUXEMBOURG A.S.B.L.

CONNEXION

1ST QUARTER 2008



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[24-25]



INTERVIEW

With H.E. Minister Jeannot Krecké

The Grand Duchy's Government has identified the logistics sector as a promising business sector worth developing in the context of the diversification of Luxembourg's economy. H.E. Minister Jeannot Krecké, Minister of the Economy, outlines his views on the topic in an interview with AMCHAM...

[28-29]



EDMOND ISRAEL

Some Keys for a Successful International Life and Career

Dr. Edmond Israel is among the most distinguished business leaders in Luxembourg and has pursued a long and extremely successful career in the financial sector. Furthermore he is known for his keen interest in philosophical and educational issues. Drawing from his extensive experience he highlights some keys for a successful international life and career in this issue...



[SPECIAL FEATURE]

LOGISTICS IN LUXEMBOURG

[16-25]

The Board of Economic Development has rightly stated that "Global production outsourcing has lead to increased logistical challenges". Due to Luxembourg's excellent strategic position at the heart of Europe, the country has continuously developed its positioning as a European hub for logistics. In this issue we examine the sector from different angles...



A WORD FROM THE CHAIRMAN...

Dear Members and Friends,

Welcome to the first issue of AMCHAM Luxembourg's News Magazine in 2008.

In this copy of "Connexion" we will focus on logistics issues. We have chosen this topic because logistics is one of the most promising areas for Luxembourg based economic/business activities. Because of Luxembourg's strategic location in the heart of Europe with excellent road, rail and air transportation Luxembourg is well suited as a logistics hub... and Luxembourg even has a port for shipping access!

Due to the importance of logistics issues to the Luxembourg economy, we have asked some of the leading players in this domain to give us their insights and answer our questions.

We hope you enjoy all of these articles.

As we go to press, we have just held our annual General Assembly and this has given me the opportunity to review the activities of last year. We did well and we are pleased to find ourselves properly positioned as the leading international Chamber of Commerce within Luxembourg. As a result of the full range of programs we offer, our strong committee structure, our excellent relations with the Ministers within the Luxembourg Government and our over all strong reputation, we have very good success to get the things done that our members want.

As I compliment our committee chairs and their committee members, our three angels (Margot, Tatjana and Dilek) and my colleagues on the Executive Committee (Ian, François and Dominique), I always remember that the biggest thanks go to our members. Without their interest, financial support and enthusiastic participation, we would be up the creek without a paddle. Thank you all for helping to make AMCHAM such a success.

We have a great line up of events for the spring. Join us!

My best regards,

A handwritten signature in black ink that reads "Paul Michael Schonenberg". The signature is written in a cursive, flowing style.

Paul Michael Schonenberg
Chairman and CEO

NEWMEMBERS

A



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AAM Asset Management (Luxembourg) S.A. is an independent asset management firm with a presence in Luxembourg since 1993. Together with our Swiss Parent, AAM Privatbank Ltd., we offer a variety of financial services and products catering to international private and institutional clients.

Our business areas include classic asset management, investment consultancy and family office solutions. In an effort to best service each of our customers' unique financial needs, we place a very high emphasis on the personal relationship. In so doing we build long lasting relationships with our customers, and as such are in tune with the changing needs of our clients.

For more information about AAM Asset Management (Luxembourg) S.A. please feel free to contact me directly at: scott.eppinga@atag.lu



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Headquartered in Chicago, Aon Corporation is a leading provider of risk management services, insurance and reinsurance brokerage, human capital and management consulting, and specialty insurance underwriting. A key advantage is our broad view of the insurance industry. With an employee base of 43,000 people working in 500 offices in more than 120 countries, we can anticipate how changes in one sector can impact another, empowering us to integrate our services while leveraging our expertise across hundreds of disciplines around the world.

In Luxembourg Aon delivers via three specialized entities captive management services, (from establishing captives to day-to-day operations), integrated risk management services, (from risk identification through to risk quantification, mitigation and alternative risk financing solutions) and broking services. In Luxembourg we are 55 people with 12 languages spoken.

B



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BRICKS Solutions Immobilières is a Luxembourg-based full-service real estate and property management company, serving clients in Luxembourg and abroad. BRICKS focuses on delivering flawless client services in the areas of sales & acquisitions, rentals, real estate consulting and project management. The company combines in-depth market knowledge with a resolute commitment for quality to provide its clients with the degree of professionalism, flexibility and discretion that their real estate projects require.

BRICKS was founded in April 2007 by Paul Fabeck, a former marketing & communications director at Deloitte, PricewaterhouseCoopers and Luxexpo. Paul is a certified realtor, property agent and real estate developer.

C

CASTEGNARO

Cabinet d'avocats



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Castegnaro Cabinet d'Avocats is the Luxembourg member of Ius Laboris, Global Human Resources Lawyers, an international employment law, pensions and employee benefits alliance.

The firm that currently counts 6 lawyers is an employment law niche firm which advises exclusively employers on all employment, labor, pensions and employee benefits law issues. The lawyers of Castegnaro Cabinet d'Avocats participate in numerous conferences on employment law topics and also teach employment as well as social security law. They publish articles and law books and participated in the establishment of the new Labor Code. The firm is considered as a leading employment law firm by directories such as Legal 500 and Practical Law Company.

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RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Established in January

2006, we are a joint venture equally owned by Royal Bank of Canada and Dexia. We rank among the world's top 10 global custodians, with USD 2.9 trillion in client assets under administration.

Our innovative products and services help clients maximize operational efficiency, minimize risk and enhance portfolio returns. And our 4,700 professionals in 15 markets offer proven expertise to enhance clients' business performance.

Services Offered

RBC Dexia provides clients an extensive range of solutions including: global custody, fund and pension administration, shareholder services, distribution support, reconciliation services, investment analytics, compliance monitoring and reporting, securities lending and borrowing and treasury services.



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Reuters (www.reuters.com), the global information company, provides indispensable information tailored for professionals in the financial services, media and corporate markets. Its trusted information drives decision making across the globe based on a reputation for speed, accuracy and independence. Reuters has 15,300 staff in 89 countries. It includes 2,300 editorial staff in 196 bureaus serving 130 countries, making Reuters the world's largest international multimedia news agency. Reuters has 50 employees based in Luxembourg serving local clients.

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A COMPREHENSIVE STRUCTURE FOR INVESTOR COMMUNICATION

- We offer On/off site solutions in the field of document formatting, translation, typesetting, printing and distribution for the Financial Industry. Our clients are Assets Managers, Fund Administrators and Transfer Agents.
- We have a specific focus on reporting in the area of cross border fund distribution.
- Our Services are available for funds domiciled in Luxembourg, UK, Dublin and the U.S.
- Our fulfillment (pick & pack) and Outsourcing solutions are used by several key market players.
- This industry is heavily impacted by regulatory changes, product development, consolidation and diversity of cross border sales. These developments have a profound impact on our activity.
- As a PSF agent regulated by the CSSF, we have Business Continuity Procedures in place. IT & physical securities are top priorities (owned DR site).
- Our Printing Disaster Recovery and Emergency Printing solutions enable our customers to reach economies of scale.
- Recent Joint Venture with P&T Lux to enhance our distribution capabilities with an optimized cost structure.

Created in 2000, our 96 employees generated a turnover of EUR 19,2 Million in 2006.

AGENDA & EVENTS

Forthcoming events organized by the American Chamber of Commerce in Luxembourg include :

Monday, April 7, 2008

12:00 – 14:00, NH Hotel

ABAL Luncheon

With special guest speaker, Mr. Christopher Bowman, new Director of the International School of Luxembourg

Monday, May 5, 2008

12:00 – 14:00, NH Hotel

ABAL Luncheon

With special guest speaker, Mr. Carlo Thill, CEO, Fortis Banque Luxembourg, S.A., "How to grow your business through people"

Wednesday, May 21, 2008

18:30 – 20:30, Allen & Overy

Competition Compliance Seminar

With special guest speaker, Me. Gabriel Bleser, Allen & Overy

Thursday, May 29, 2008

18:30 – 20:30, Location to be determined

ComIT event on Webservices



FRANKLINCOVEY LUXEMBOURG AND AMCHAM INVITE STEPHEN M.R. COVEY TO PRESENT "THE SPEED OF TRUST" IN LUXEMBOURG

Stephen M.R. Covey's book *The Speed of Trust* underscores the single most important factor that will determine the success of any organization in the 21st century: TRUST.

Stephen M.R. Covey is co-founder and CEO of CoveyLink Worldwide and is known as a compelling advisor on trust, leadership, ethics and high performance.

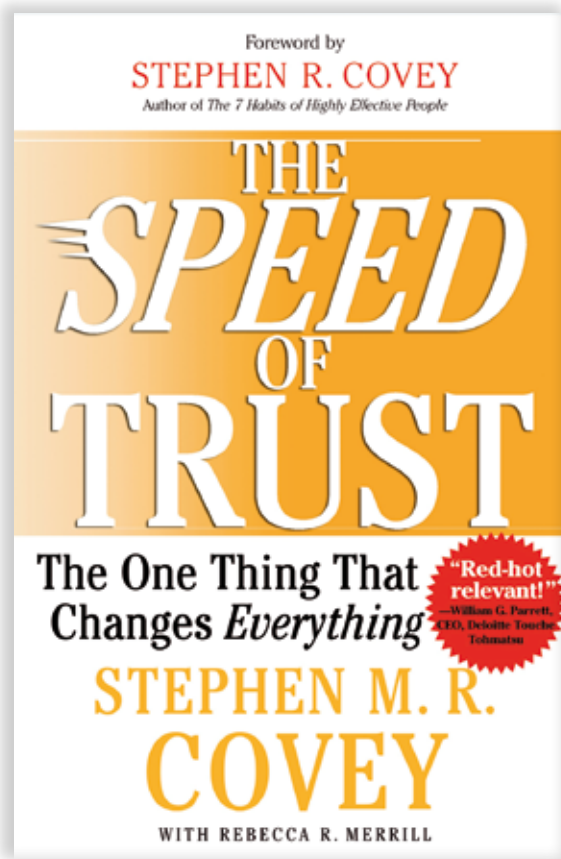
According to Stephen, inspiring trust is the critical leadership competency. During his seminar on June 18, Stephen M.R. Covey will explain why trust is not a soft tissue, but a hard-edged economic driver – a learnable and measurable skill that can give your business a competitive edge and make organizations more profitable. Restoring trust takes time, but when you understand trust you can build it up effectively. Once you've established it, nothing is faster than the speed of trust. Stephen shows by numerous examples how to implement and maintain this essential factor in daily business life.

Exercise: write down the name of a person who you trust in your business life. How does it affect how you get things done, the results that you achieve? Compare to a low-trust relationship, where communications and results are different - especially in the time of execution. There's a huge gap between the two, guarded, cautious relationships. Trust always affects measurable outcomes.

On June 18, Stephen M.R. Covey will hold the interactive half day seminar "The Speed of Trust" for managers in Luxembourg. He has been invited by Sebastian Eberwein, Founding Partner of ProCompetence sàrl that has obtained the exclusive license for FranklinCovey in Luxembourg in 2006.

AMCHAM, the American Chamber of Commerce in Luxembourg is the official cooperation partner for the event "The Speed of Trust".

Stephen M.R. Covey



BENEFIT OF THE EARLY BIRD TARIFF OFFERED UNTIL 18TH OF APRIL 2008!

	INDIVIDUAL REGISTRATION	TEAM REGISTRATION (MIN. 6)	AMCHAM INDIVIDUAL REGISTRATION	AMCHAM TEAM REGISTRATION (MIN. 6)
BEFORE APRIL 18, 2008	265,- €	235,- €	235,- €	195,- €
AFTER APRIL 18, 2008	295,- €	265,- €	265,- €	235,- €

Prices are per person and do not include VAT.

BACKGROUND INFORMATION

Stephen M. R. Covey is co-founder and CEO of CoveyLink Worldwide. A keynote speaker and advisor on trust, leadership, ethics, and high performance, he speaks to audiences around the world.

He is the author of *The SPEED of Trust* – a book that challenges our assumption that trust is merely a soft, social virtue and instead demonstrates that trust is a hard-edged, economic driver—a learnable and measurable skill.

He is the former CEO of Covey Leadership Center, which, under his stewardship, became the largest leadership development company in the world. Covey personally led the strategy that propelled his father's book, Dr. Stephen R. Covey's *The 7 Habits of Highly Effective People*, to one of the two most influential business books of the 20th Century.

A Harvard MBA, he joined Covey Leadership Center as a Client Developer and later became National Sales Manager and then President & CEO.

Under Covey's direction, the company grew rapidly, achieving Inc. 500 status. As President & CEO, he nearly doubled revenues while increasing profits by 12 times. The company was valued at USD 2.4 million when Covey was named CEO, and, within three years, he grew shareholder value to USD 160 million in a merger he orchestrated with then Franklin Quest to form FranklinCovey.

Covey has gained considerable respect and influence with executives and leaders of Fortune 500 companies as well as with mid- and small-sized private sector and public sector organizations he's consulted.

Covey currently serves on the board/advisory board of several entities, including the Human Performance Institute—the leader in energy management technology—where he serves as Advisory Board Chairman.

If you wish to participate at the half day seminar „Speed of Trust“ that will be held on Wednesday, 18th of June in Luxembourg, if you wish to register one or more of your company's employees or if you request further information, please contact ProCompetence sàrl.

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or simply download the invitation and the registration form when visiting

www.franklincovey.lu

LUXEMBOURG


FRIENDLY LOCATION FOR E-BUSINESS

■ SERVICES SUPPLIED DIRECTLY FROM OUTSIDE THE EU ARE SUBJECT TO VAT AT THE RATE OF THE COUNTRY OF RESIDENCE OF THE CUSTOMER




Different VAT rates to manage

Luxembourg 15%/3%	
France 19,6%	
Poland 22%	
Sweden 25%	

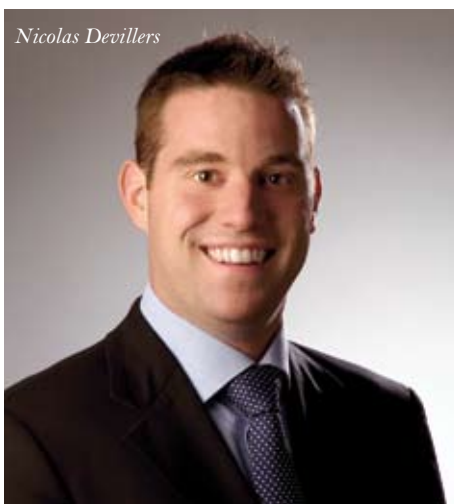


■ SOLUTION: SET UP AN ESTABLISHMENT IN LUXEMBOURG AND CHARGE LUXEMBOURG VAT



Luxembourg VAT on all supplies

15%/3%	
15%/3%	
15%/3%	
15%/3%	



Over the years, Luxembourg became the place to be for innovative businesses in the information and telecommunication industry, especially those acting in a B2C context supplying games, music, movie downloads or pay-TV services, to name but a few.

The competitive advantage of e-businesses established in Luxembourg results from the application of the lowest standard VAT rate allowed by the European legislation (15%).

Moreover, an even more attractive rate (3%) applies to television and radio broadcasting services. The scope of application of this super-reduced rate includes the broadcasting of pay TV and radio services emitted via analogical or digital systems through cable networks and satellites. Another very promising business trend of broadcasting radio and television programmes through the internet or through mobile phones is also subject to the 3% VAT rate. The mere download of movies or TV shows

as well as adult-oriented programmes however do not benefit from this specific rate.

Prior to 2003, distortions of competitions existed between EU and non EU suppliers of electronic services in a B2C context. Non EU operators did not charge VAT whereas their EU competitors had to charge a tax that could be as high as 25% depending on their place of establishment. To tackle these distortions of competition, the VAT legislation was amended to ensure that electronic services supplied to EU residents were subject to VAT, no matter the place of establishment of the provider.

Based on the amended (and current) legislation, electronic services provided in a B2C context by non-EU companies are taxed at the rate of the state of residence of the customer. This requires non-EU operators to deal with up to 27 VAT rates and time consuming administrative obligations whereas EU established companies simply charge the VAT of their country of establishment.

Opportunities therefore simply consist in centralizing European operations in a low VAT rate jurisdiction to charge the VAT of this country. This allows to either benefit from higher margins or from a competitive pricing.

Therefore, from the attempt to solve distortions of competition between EU and non EU operators resulted distortions of competition between EU Member States, showing at the same occasion that the EU VAT system, dating from the late seventies and designed to regulate local rather than international transactions, need to be modernized.

This modernisation is now taking shape. One of the main changes consists in shifting the place of supply of services from the country of the supplier to the country of residence of

the customer, the place of establishment of the supplier having no impact on the VAT rate applied. The proposal had foreseen 2010 as date of entry into force.

Further to various negotiations between EU finance ministers, it has been agreed to defer the entry into force of the changes to 2015 instead of 2010, which maintains the competitive VAT advantages of Luxembourg in the field of e-commerce until 2015 since companies established in Luxembourg will charge at most 15% to their EU private customers. As a matter of example, operators established in other countries may have to charge VAT up to 25%.

Moreover, in businesses where intellectual property is of primary importance, the VAT advantages may be doubled by a favourable corporate tax regime, whether under the general rules or under the newly introduced 80% exemption applicable under certain conditions to income from exploitation of software copyright, patent, trademark, design or model.

As a conclusion, Luxembourg is an attractive location for e-businesses to establish their European headquarters. To significant tax advantages, Luxembourg allies a central location in Europe as well as a business friendly environment with multilingual manpower and traditional political stability. This will, without doubt, lead to welcome U.S. investors to join the circle of successful pan-European e-businesses in Luxembourg.



Laurent Grençon
Partner at Atoz Tax Advisers

Nicolas Devillers
Senior Consultant at Atoz Tax Advisers

NEW LUX TAX REFORM

LOW 6% TAX RATE FOR HIGH TECH/IP INCOME

AMCHAM's members with business activities involving intellectual property ("IP") may be interested to learn that Luxembourg is now even more serious than ever about attracting intellectual property and becoming the choice location for Europe's envisioned knowledge-based economy. Recently, the Luxembourg Parliament enacted a tax law which provides for a low corporate tax rate of approximately 6% on certain types of IP income earned by Luxembourg taxpayers.

Luxembourg already has many factors which make it a top choice for the location of IP rights and related functions including no withholding tax on royalty payments, flexible transfer pricing, and a pragmatic approach of the Luxembourg government and in particular the tax administration. In addition, Luxembourg has many other non-tax reasons to locate IP here including its solid reputation as a stable EU Founding Member state, its flexible legal and regulatory framework, as well as signatory to many international tax treaties, investment protection treaties, and organizations related to IP protection. The new tax reform on IP should make Luxembourg even more attractive.

The hallmark of the new law is an 80% exemption on royalties and capital gains derived from certain types of IP which results in a Luxembourg effective corporate income tax rate of 5.93% on qualifying net IP income (i.e., 29.63% headline rate for Luxembourg City x 20% taxable remainder).

Specifically, the 80% exemption applies to the "net positive" income (i.e., gross revenue from the IP less directly connected expenses, depreciations and write-downs) of qualifying types of IP, including patents, trademarks, designs/models, and software copyrights. Service marks (i.e., trademarks used to identify a service rather than a product), which today represent a large majority of registered marks, are also covered.

The new law also has incentives targeting e-business. Particularly we highlight that according to the official comments to the law, the concept of "trademark" is broadly defined to include the investment in domain names (i.e., addresses identifying a specific site on the Internet). Luxembourg is the first European country to provide for a favorable tax regime for this type of IP and so this should make Luxembourg an even more attractive jurisdiction for e-business.

The law provides special rules relating to patents including an 80% deemed income deduction for self-developed patents and provisions for including patents pending (but subject to recapture if the patent is not ultimately granted).

James O'Neal



Other provisions of the new law include flexible valuation methodologies (particularly interesting for start-ups), anti-abuse measures (e.g., to avoid "double dipping" of repeated use of the same IP income), and a recapture mechanism to avoid exempting an IP gain, where the same IP has generated prior losses.

Principal limitations on benefiting from the 80% deduction include:

- 1) The benefiting Luxembourg company must have acquired or developed the IP after December 31, 2007;
- 2) Expenses, amortizations, and write-downs economically related to the IP must be capitalized on the company's balance sheet and included in the profit/loss account as from the first fiscal year the company wishes to benefit from the deemed IP deductions.
- 3) The exemption generally does not apply to IP acquisitions involving "directly" related companies where there is common and direct ownership between them of at least 10% (if either seller/buyer companies are direct owners of each by at least 10% or if both seller/buyer companies are directly owned 10% or more by the same common parent). The current bill leaves open the possibility for IP acquisitions between indirectly owned companies.

In addition to the new tax reform discussed above, Luxembourg can have attractive VAT

results for IP related activities when compared to its European neighbors. Luxembourg companies exploiting IP rights within the EU may benefit from the Luxembourg VAT rate of 15% to the transaction (e.g., such as the source for the supply of "B-to-C" services) – which is the lowest standard VAT rate throughout the EU. Additionally, Luxembourg has introduced on 1 January 2008, a super-reduced VAT rate of only 3% which applies to select service providers including "tele-distributors" – the rate applies to both content and means of distribution (which is widely defined to include Web casting).



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COMPETITION COMPLIANCE

EU AND LUXEMBOURG COMPETITION RULES: WHAT BUSINESSES SHOULD KNOW

"Vigorous competition in an open internal market provides the best guarantee that European companies will increase their productivity and innovative potential. Competition law enforcement is therefore a key element of the 'Lisbon strategy' which aims at making the economy of the European Union grow and create employment for Europe's citizens¹." All Member States of the European Union adopted national Lisbon implementation plans and Luxembourg, too, is contemplating a boost to competition policy and competition law enforcement, especially in the services sector.

Since the decentralisation of the application of articles 81 and 82 EC Treaty (prohibition of anti-competitive agreements and of abuse of a dominant position) which became effective on 1 May 2004 and the introduction on 17 May 2004 of a new competition law in Luxembourg (**Law on competition**) which created the Competition Council and the Competition Inspectorate, businesses operating in Luxembourg have had an increased interest in being competition compliant.

In addition to the increased focus by the European Commission (**Commission**) and the national competition authorities (NCAs) on fighting cartels, private enforcement actions will also be encouraged in Europe. The European Court of Justice has confirmed that individuals have the right to sue for damages for breaches of EC competition rules. Following a Green Paper adopted by the Commission on 19 December 2005, the purpose of which was to stimulate a debate and feedback from stakeholders on a number of possible options which could facilitate private damage actions in Europe, a White Paper will soon be adopted setting out, in concrete terms, possibilities to encourage and facilitate private actions in Europe. Finally, sector inquiries launched by the Commission in various sectors, most recently in the pharmaceutical sector, financial services sector (retail banking and business insurance) and energy sector (gas and electricity), also show that businesses may increasingly be involved directly or indirectly in competition investigations, carried out by either the Commission or NCAs.

It is worth recalling the basic rules and describing briefly the Luxembourg authorities.

1. THE BASIC RULES AND THE LUXEMBOURG COMPETITION AUTHORITIES

1.1 Prohibition of anti-competitive agreements and abuse of dominant positions

(a) Article 81(1) of the EC Treaty and Article 3 of the Law on competition prohibit agreements between undertakings, decisions by associations of undertakings or concerted practices which may affect trade (between EU Member States) and which have as their object or effect the prevention, restriction or distortion of competition (within the EU). Article 81(3) of the EC Treaty and Article 4 of the Law

on competition provide for the possibility of exemptions if certain criteria are fulfilled.

(b) Article 82 of the EC Treaty and Article 5 of the Law on competition prohibit the abuse by one or more undertakings of a dominant position (within the EU or a substantial part of it in a way which may affect trade between EU Member States).

1.2 The Competition Council and the Competition Inspectorate

Currently, two authorities exist:

(a) the Competition Council (*Conseil de la concurrence*), an independent administrative body which is similar to a court and constitutes the decision-making body, although it has quite a limited role during a competition case; and

(b) the Competition Inspectorate (*Inspection de la Concurrence*), an entity created within the Ministry of the Economy and Foreign Trade, in charge of pursuing and investigating cases and assisting the Directorate General for Competition with inspections to be carried out in Luxembourg.

The two authorities are members of the European Competition Network (**ECN**). Since 1 May 2004, all members of the ECN have been able to exchange confidential information amongst themselves. Tools were created to facilitate better cooperation between authorities, tools which can be of particular importance if cartels are detected, which are often organised world-wide or at least Europe-wide. The Competition Inspectorate can proceed, for example, at the request of any other competition authority of the ECN, to investigations in Luxembourg and collect information on behalf of the foreign authority. Dawn raids in Luxembourg companies were carried out by the Commission with the assistance of the Competition Inspectorate.

2. REFORM OF THE LUXEMBOURG LAW ON COMPETITION

On 10 December 2007, a draft bill (No 5816) was submitted to Parliament (the **Draft Bill**), proposing substantial revisions to the Law on competition. The rules (relating to the prohibition of anti-competitive agreements and abuse of a dominant position) will not change substantially, but some useful clarifications will be made; for example,

Gabriel Bleser



conservatory measures which are difficult to apply under the current text will become easier to apply.

The Draft Bill envisages three major changes.

2.1 Institutional reform: creation of a new Competition Council assuming all the duties currently carried out by the Competition Inspectorate

2.2 Changes to the procedure: a better procedure ?

The Draft Bill also envisages some changes to the procedure. The current procedure is quite time-consuming, but the reason is less to do with the fact that there are two phases, than it is with the Competition Inspectorate's lack of resources. Companies which hesitate to cooperate with the Council risk being sanctioned sooner and it is doubtful whether an impartial decision-making and a fair trial will be guaranteed. The Draft Bill adapts the leniency programme so as to be in line with the September 2006 model leniency programme of the ECN.

2.3 New functions and powers

With a view to greater efficiency, such as a more efficient allocation of resources, the Draft Bill will give an advisory power to the Council and the possibility to carry out sector inquiries and market studies. The Council will also be empowered to issue opinions on its own initiative or at the Minister's request, on any issue concerning competition.

2.4 Impact of the Draft Bill on Companies

Although the authors of the Draft Bill explain that the new competition authority will have an educational role and that the duties of the competition authority will be widened, not only focusing on sanctions, it can be expected that companies operating in Luxembourg will be exposed to a more repressive and interventionist approach from the new Competition Council.

A recent decision taken by the President of the Competition Council imposing conservatory measures on the incumbent telecommunications operator (decision of 22 January 2008, available on www.concurrence.lu) already illustrates such an approach.

Given that Luxembourg may yet develop a sound competition culture,

it would certainly be more reasonable not to grant new powers to the Competition Council, since this requires experience and credibility, which Luxembourg has not yet acquired, unlike neighbouring countries.

3. COMPETITION COMPLIANCE

The consequences of infringing the EC or Luxembourg competition rules or being implicated in a competition investigation can be significant. For a company, being competition compliant can even be a commercial policy for developing its business. Ensuring compliance with EU and Luxembourg competition rules should be part of the ordinary day-to-day activities of any business. A breach of the competition rules can be very damaging to a business, in terms of sanctions imposed on it, management effort invested and damage to the company's reputation.

Although Luxembourg has yet to develop a strong competition culture and show a track record of enforcement, one should be aware that the Luxembourg competition authorities seem determined to fight cartels and sanction companies abusing their dominant positions.

**ALLEN & OVERY
LUXEMBOURG**
Gabriel Bleser

Avocat à la Cour - Senior Associate Allen & Overy Luxembourg

Gabriel advises on Luxembourg and European competition law and is a member of the Allen & Overy antitrust, competition and trade group.

Please earmark your calendars for the "Competition Compliance Seminar" with special guest speaker Me. Gabriel Bleser. The event will take place on May 21, 2008 from 18:30 – 20:30 at the Allen & Overy premises.

(Footnotes)

¹ European Commission, see on web-page: <http://ec.europa.eu/comm/competition/antitrust/actionsdamages/index.html>

Fernand Grulms



LUXEMBOURG FOR FINANCE

With the recent creation of an Agency for the Development of the Financial Center, it seemed most appropriate to offer Fernand Grulms, CEO of "Luxembourg for Finance" a platform to outline his views on the agency at the February ABAL Luncheon.

The aim of the newly created Agency for the Development of the Financial Center, "Luxembourg for Finance", is to brand the financial center around the world.

It is perhaps surprising that one of the world's top financial centers and number two investment fund domicile should have waited until 2008 to launch a development agency. This reflects the close relationship between the business and political communities, which have worked together for 30 years to ensure that Luxembourg is attractive to financial services companies; and it is a credit to the individual professional associations that their energetic work, both in Luxembourg and internationally, has created a cohesive business community capable of presenting a strong image to international markets and articulating a clear political message, where necessary, towards international policy makers and regulators.

Nevertheless, the increasing competition between international financial centers as well as the sheer size of the Luxembourg financial centre and a rapid growth in the number of international tours and trade missions called for a central unit that could federate, coordinate and leverage the promotional efforts of the individual associations and of the Government.

Luxembourg for Finance (LFF) is a public-private partnership, a 50:50 joint venture between the Government and the Luxembourg Financial Industry Federation (PROFIL). The primary objective of PROFIL, which brings together representatives of banks, insurance companies, investment funds, wealth ma-

nagers, chartered accountants, auditors, domiciliation specialists, lawyers and ancillaries activities, is to promote a coherent image of Luxembourg as a prestigious international financial center. Thanks to the breadth of its membership, PROFIL has been able to act as a discussion partner with the Government on issues to do with the development of the financial sector.

The new development agency has been set up as an Economic Interest Grouping. The purpose of an EIG is "to facilitate or develop the economic activities of its members by a pooling of resources, activities or skills".

The task of LFF is to create a clear brand for Luxembourg at two levels. At the "general branding" level, LFF will articulate the message that the financial center is well regulated, a center of expertise, international (it is the world capital for cross-border distribution of investment products), diversified and – by no means unimportant – a nice place to live and work. At a "product branding" level, LFF will assist and leverage the efforts of its underlying associations in marketing individual sectors.

In terms of Communication, LFF will be the mouthpiece of the financial center. Developing contacts with the international media, LFF will work to raise the profile of Luxembourg where it is unknown, improve its image where necessary and ensure that a standard message is reaching the international business community.

In the promotional field, wherever the financial sector is involved in a foreign tour LFF will become involved in the intellectual preparation

of the mission, development of the schedule and follow up of the event. The economic benefits of such preparation are highly valuable. The agency will likewise take on the role of presenting the financial center to incoming foreign delegations and representing the community at international trade fairs, conferences and seminars.

Another overarching target of the agency is to highlight the breadth of career opportunities available, from the banking sector through asset management and insurance to a range of professional occupations present in the financial center.

Luxembourg for Finance has set itself no specific geographical goals or business focus. By listening to the market place and responding to market opportunities, LFF intends to become a key tool for the development and diversification of business in the financial center.

The agency has pulled together an experienced team of 13 staff led by an Executive Committee formed by CEO Fernand Grulms, a former director of ABBL the Luxembourg Bankers' Association, Anouk Agnes (Ministry of Finance) and Carlo Thelen (member of the Executive Committee of the Chamber of Commerce), seconded by Secretary General Jean-Jacques Picard, formerly Communications Director at ALFI, the Association of the Luxembourg Fund Industry.

Fernand Grulms
CEO, Luxembourg for Finance

INTERVIEW

INDUSTRY COMMITTEE



Steven A. Kiefer

ABOUT... STEVEN A. KIEFER

Steven A. Kiefer is Vice President of European Operations for Delphi Thermal and Managing Director of Delphi Luxembourg. He was named to this position in January 2005. As Vice President for Europe, Mr. Kiefer is responsible for overall business strategy relating to the growth, profitability and customer satisfaction in this region. Steven Kiefer is based at Delphi's Customer Technology Center in Luxembourg and is a member of the divisional Executive Committee leadership team, as well as the European Governance Board.

Mr. Kiefer began his career with General Motors as a 4-year college cooperative student, in 1983, in Pontiac, MI. He has held various Engineering positions at several locations within the General Motors Powertrain organization.

In 1995, he became Assistant Staff Engineer for Delphi Energy and Engine Management Systems, International, in Bascharage, Luxembourg. He later was named Chief Engineer, Japan, for Delphi E&E international Asia-Pacific in 1997. In May 1999, he became Chief Engineer, Asia-Pacific, located in Tokyo, Japan.

In early 2000, Mr. Kiefer was appointed Director of Technology for the Engine Management Systems Business in Brighton, Michigan, USA. He was named Business Line Executive - Engine Management Systems for Delphi E&C in August 2001.

Steven Kiefer earned a bachelor's degree in Mechanical Engineering from Michigan State University in 1986, and a Masters in Business Administration from the University of Michigan in 1992.

The American Chamber of Commerce in Luxembourg has recently established the Industry Committee with Steven Kiefer, Managing Director at Delphi Corporation accepting the position of Chairman. Following are some questions regarding AMCHAM's newest committee:

Q: How would you define the purpose of your committee?

A: The Industry Committee was conceived as a platform which would represent the mutual interests of industrial companies within AMCHAM.

Q: What sparked the incentive to establish the Industry Committee?

A: Our Industry Committee is actually an outgrowth of the Intellectual Property Forum, which is a group of industry and government representatives that was assembled to promote and improve IP activities in Luxembourg. This forum had some success last year in the area of tax law reform and promotion of IP, so we decided to build on these successes, and establish an ongoing committee.

Q: What are the professional backgrounds of your committee members?

A: We currently have members from industry, government and service companies. Additionally, we are actively looking for new members that have interest in promoting the needs of industrial companies in Luxembourg.

Q: Which issues does your committee define as crucial for Luxembourg as a business location?

A: Our initial focus has been in the area of intellectual property, and strengthening the attractiveness of Luxembourg as a location to perform Research & Development (R&D). This includes emphasis on educational programs, quality of life, R&D incentive programs, promotion and legal and tax reform. As a relatively new committee, we are currently defining the next set of issues that are critical to our members.

Q: How do you assess the role of logistics in the diversification of Luxembourg's economy?

A: We see logistics as one of the many niche activities that should be an attractive industry for diversification in Luxembourg. Our focus is on promoting the "knowledge economy", and further defining areas of interest to our member companies. There are several well established logistics companies in Luxembourg, which we would welcome to join our group, to further promote the merits of logistics diversification. One example is in the area of virtual customs clearance, which we see as an interesting concept for companies headquartered in Luxembourg, and producing products and moving material throughout Europe.

Q: What are the strengths of Luxembourg as a location for industrial activities?

A: We have several companies that are focusing on various portions of the industrial value stream here in Luxembourg - manufacturing, R&D, sales, distribution, HQ etc. We are all aware of the benefits of doing business in Luxembourg - cultural diversity, highly capable workforce, social and political stability, pro business climate, government access and support, attractive tax policy, geographic proximity to European customer base, quality of life, etc. Each of our member companies has some unique challenges and strategies - it is important that we focus our activities in Luxembourg on the portions of our value streams that can benefit most from Luxembourg's positive attributes.

Q: How can your committee support the Luxembourg government in turning the Grand Duchy into an Intellectual Property (IP) hub?

A: Some of the recent changes in tax law was based on the recommendation of our IP forum. It is important now to focus on promotion and awareness, to ensure that companies take advantage of these attractive changes. We can also benefit from expanding participation in our committee, to better represent the needs of the industrial companies based in Luxembourg. We welcome your participation!!

CRP HENRI TUDOR

LUXEMBOURG, (JUST) A FUTURE LOGISTICS HUB?

1. A LOGISTICS HUB.

Luxembourg, a future logistics hub? A question I have been asked. In other words, are there any signs that could identify our country as a (future) logistics hub? But what is a logistics hub? A national discussion on logistics started about two years ago. I rather would say only two years ago. The logistics economic opportunity has been acknowledged by a lot of European countries since a long time. So did as well especially some third party logistics' (3PL) companies in Luxembourg.

Logistics however became a true economic issue after the prime minister's yearly declaration in 2006. The question about the future logistics hub could also be seen in the current reality. In fact isn't Luxembourg not already a logistics hub? Aren't we aware about fantastic logistics providers in Luxembourg? Cargolux is a leader and one of the biggest airfreight companies in the world. Made in Luxembourg products is only a small part of this freight compared to what is flown and distributed to and from Luxembourg. We definitely have some more famous multinational 3PL providers among which Kuehne&Nagel (with lead logistic services (LLS) ambitions) is probably the biggest. It uses Luxembourg as one important node in its worldwide distribution and huge logistics network. We should not forget the continuously growing activities of companies like DHL. There are many others in fact. A new aura commenced with the startup of Lorry-Rail. Are those companies transforming products or just shipping? If we ask today the question about the logistics hub Luxembourg, it clearly shows that we still stick to the restrictive view of logistics being mainly transportation services, a typical 3PL activity.

The economic issue then is focused on the business of 3PL providers. This means a lot of transit activities, value exchange, and customer's business and tax opportunities. For sure added value to the country's economy. But

isn't it only one side of the coin? Logistics hub activities attract huge traffic, specifically trucks. Goods physically transit our country. The global economic impact is twofold rather than only positive. Direct and indirect negative impacts are produced in fact. The more we are promoting Luxembourg as a logistics hub, the more we will attract 3PL providers.

Currently many already suffer from daily traffic jam. Increasing truck traffic in Luxembourg has been (only) recently² a major concern for our government. Could it be that Luxembourg starts disclosing negative branches of the logistics hub development? New companies like Lorry-Rail have been created as an innovative alternative to road transportation. Improving traffic, reducing emissions. This might be true. But is it true for Luxembourg? Isn't it producing exactly the opposite effect? What about the trucks loaded and unloaded on this train? Did they possibly bypass Luxembourg before? Increased traffic induces some indirect negative effects: fuel consumption is increased; actual and billed emissions are growing! How to make already crowded roads absorb even more traffic? How to make a saturated sponge absorbing more water? This situation currently annoys drivers and highway abutters. But it has an important negative economic impact as well. Employees arrive completely stressed at work. Hundreds of thousands working hours are wasted each week because of lateness due to car crash. Productivity drops. The drive-to-work lead-time is more than doubled in 5 years. Currently it is planned to start up some additional 'mega' logistic centers with a high 3PL concentration. Should we now start adapting the highways? Wouldn't it be time to analyze the benefits and losses balance of this hub strategy?

2. LUXEMBOURG, JUST A LOGISTICS HUB?

It is time to ask this question and to think about the true benefits that logistics in general could bring to the country. What is the

actual trigger of bringing up the logistics issue? This induces me to quote Dr. E. Y. Goldratt who claimed that: 'Technology can bring enormous benefit if and only if it helps overcoming a limit'. Could we paraphrase him by replacing the word technology by either some more generic or context adapted notion? Isn't it in general a necessary claim when shifting to new economic activities? We anyway must start asking what limit we are talking about. Let's go back to the origin of the sudden logistics interest. Recent studies on the Luxembourg's competitiveness and economic mapping showed the highly vulnerable more and more polarized economy. Hard industrial activities have started fading. The last 5 years have shown a massive delocalization and downsizing (some may call it rightsizing) politics. By the way, a lot of companies that went this way suddenly start discovering that delocalization eventually does not bring the expected results. Costs are increased instead of decreasing. Efforts to at least maintain business if not creating new opportunities end up in business losses. Such disastrous strategies never would have taken place and some delocalization could have been avoided if companies had the true notion of logistics and further, true supply chain thinking and management³. The actual limit that was underlined by the mentioned studies was the hard industrial activities fading. How could Luxembourg intervene to prevent this kind of hemorrhage? How to substitute hard industry by services most close to industrial activities? Logistics was seen as a viable niche⁴ to be addressed. Important questions are rising. How can logistics actually help overcoming this limit? What was understood by logistics? What is the global economic power of this sense of logistics? We are convinced that logistics and even better, supply chain thinking could overcome the limit. But then we have to develop the good strategy and rules in order to actually use the potential and power of this solution. The first paragraph

Dr. Jos Schaefers



definitely showed the new limit we for sure would encounter in a very short term when lone the hub aspect of logistics is fostered. Isn't it yet achieved? It never had been a good strategy (if strategy at all) to build a new wall just close to an existing one. If we would paraphrase Dr. Goldratt in the present context, we could claim that 'Luxembourg can take enormous benefit of logistics if and only if it is willing to fully exploit its potential to overcome the limit created by fading hard industrial activities.' Now we are gone to start a true thinking process on what really should be changed in order to enhance industrial services and thus even saving the existing hard industries. Only then will it be possible to start dreaming about what could be a lasting solution avoiding remnant negative branches and look to what extent this

rapidly must become the Luxembourg's logistics future. Finally we could start drawing the road map leading to this future. The question arising at this moment concerns the future hub focused developments announced so far. They are results of expert studies. Have they been wrong? We think that no. First, if you ask experts to analyze the way Luxembourg could become a logistics hub, they for sure will provide you with the best possible solution for a logistics hub. But is it a good solution for Luxembourg? Second, we should have asked how much of hub activities are good for Luxembourg. But the best would have been to ask the question of what to change in the hard industrial environment before focusing an extremely narrow view of just one restricted notion of the logistics domain, the logistics hub.

3. LUXEMBOURG AN EXTENDED INNOVATION PLATFORM FOR LOGISTICS AND SUPPLY CHAIN MANAGEMENT?

We really prefer looking into this promising direction. Then in fact Luxembourg can have a promising logistics and supply chain future. This however is an add-on strategy to develop and not a strategy of substituting.

First, it is very important that the existing Luxembourg's logistics hub is not disappearing. We rather should capitalize on the existing in order to improve the professional environment for those actors that are creating economic value and high profile for the country since years. We must listen to their undesirable effects and analyze what could further enhance and improve this sector while balancing national benefits and possible negative effects. We must listen to their ideas.

We are sure that part of their claims could help better developing an innovative concept of a logistics platform.

Second, it is time to bundle all national actors in order to create a discussion forum upon the new strategy. Unfortunately many isolated actions start taking place. Isn't it absurd to develop logistics and supply chain platforms with a silo tactic? How is it possible to compartmentalize in the name of supply chain. Is it really necessary reminding the magic words of supply chain being partnering, trust-based collaboration, win-win? The quality of such a platform in terms of discussions, exchanges, experts, dreaming the future on the one side and openness, selflessness, trust-based win-win focusing on the other side will be the key success for a beneficial logistics future.

Third, high-level services in supply chain and logistics rely on skilled people. Training requirements exist at all levels. Logistics training is scarce in Luxembourg⁵. Countries that successfully developed halos in logistics are those that fostered training. Luxembourg is already tardy. We can't start launching discussions how to integrate logistics and supply chain

training into existing public school schedules. But a public private partnership could be an excellent way to accelerate setting up an effective and cost efficient training center. It would be interesting not to build everything from scratch but to capitalize on existing. Why not starting collaborations with existing 'Schools of logistics' and design new and innovative issues on supply chain management?

Fourth, innovation is driven by research and development. CRP Henri Tudor has chosen supply chain and supply chain management as one dominant research issue throughout next years. Research projects like Chamane and SC-Construct, aims at disseminating the true supply chain thinking based upon the above-mentioned magic words and at showing how important the supply chain thinking has become in the hard industry, the services industry, and in the construction sector. Research and development must be run in collaboration with the platform, the hard industry, the services industry, the construction, institutional and political partners, and the ministry of economy.

Fifth, new and innovative services must be developed. Chamane e.g. fosters the development of an extended service provider with the new 4PL+⁶ concept. This kind of service could make Luxembourg a visible supply chain innovation-enhancing platform. Chamane insists as well on necessity to train supply chain managers in the services industry. The Luxembourg's finance sector for instance is to some extent a large back-office activity. The sector's performance and competitiveness thus mainly depends on the ability to synchronize flows for providing fast and reliable (in terms of content and due date) answers, a typical supply chain and operational management issue. SC-Construct fosters a new fundamental skill in the construction supply chain manager. He is the sponsor of achieving logistics performances in construction projects. He is also the guarantor of continuous improvement in the supply chain thinking process, i.e. the performance of a true collaborative team.

Luxembourg can consistently increase its economic attractiveness and thus its competitiveness. It can provide a massive contribution to enhance the Luxembourg's industries'

competitiveness in borderless globalized markets where protection is no longer an advantage by helping developing lasting competitive edges. This should be a Luxembourg's logistics ambition. Luxembourg so far has all elements to become successful in such a development. It can rely on experiences, on strong economic actors and on an existing open innovation system to build this new future.

Dr. Jos Schaefer

*Director CRP Henri Tudor's Laboratory
for Industrial Technologies*

(Footnotes)

- 3PL are transporters that additionally hold large warehouses used as buffers in the distribution pipelines
- press reports of week 7, 2008
- This is currently an important issue in the FP7-2008 NMP program.
- Niche occupying has always been a Luxembourg's strength; one might however ask whether it is a sufficient strategy
- CRP Henri Tudor has launched a first certificate on global logistics and supply chain management in May 2007. The second session is planned and starts in May 2008.
- 4PL are asset less service providers that interconnect between two supply chain partners. The 4PL+ concept is rather the opposite. It only enhances true supply chain links, making it sustainable. This service is offered at all links in the upstream and downstream chain.

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RT-LOG: LOGISTICS IN LUXEMBOURG ADVANTAGES AND RISKS



RT-Log S.A. is one of the youngest logistics companies in Luxembourg. Founded in 2004, **in Luxembourg – the heart of Europe**, with a young management team of at least 15 years (each) of experience in Luxembourg, Europe and worldwide in this sector (all together more than 70 years of experience), with a **multicultural team, fluent in many languages**, we specialize in:

• Offsite Retail Storage	• Last mile solutions for letters and parcels
• Vendor Managed Warehouse	• Pick-up and Drop-off delivery solutions (P.U.D.O.)
• Order fulfillment	• Returnmanagement
• Pick and Pack	• Post Management Mail forwarding ex Lux, UK, U.S.

Being a **young and growing company** allows us to have a strong customer orientation, offer individual advice, support, and implementation. Adding high flexibility towards customer demands, allows us to gain confidence of blue chip companies as well as smaller start ups in the region and worldwide. Through our BPM-Lux last mile solution service we are exporting added value Made in Luxembourg to end consumers and corporate customers worldwide, as well as attracting logistic and e-commerce activities to Luxembourg.

The words in bold letters above, not only **highlight the advantages**, but also **include the risks = problems = challenges** we have decided to face in order to operate logistics in Luxembourg. **The cost of land**, communities **banning transport (logistics)** companies from their **industrial zones**, the lack of **well trained, multilingual staff**, and the **fear of some banks to support young companies**, in one of the richest countries of the world.

Proactive contribution to one of the challenges: Since 2005 RT-Log forms staff in cooperation with the dual logistics education in Germany. Since 2006, RT-Log also cooperates with the new Luxembourg program, training 3 young students to become logistics professionals at the Lycée Technique de Bonnevoie.

Within our short 3 years RT-Log already has supported the education of 5 logistic professionals under the dual study model.

But private companies can not affront this challenge alone.

The Luxembourg Government does an excellent job attracting new business to Luxembourg, but many branches claim the need of well trained multilingual staff. The resources are just within 60 km reach in the neighboring countries. To cover future needs, Luxembourg should invest and stronger influence the educational programs of primary and secondary schools in the SaarLorLux region. Schools in Germany, France and Belgium do not allocate the priority to foreign languages (especially French and German) their students need when looking for a job in Luxembourg.

Some people are happy to work in Luxembourg after finishing their education in neighboring countries; however, Luxembourg should not only attract well trained staff after graduating in their countries of origin but also promote young people from the SaarLorLux region searching for a dual education, to come and study “Professional Logistics” at the training facilities in Bonnevoie/Luxembourg, preparing them for the multicultural environment as from their first working experiences. This would be a consistent step forward for Luxembourg and the Greater Region.

Robert G. Thiemann
RT-Log S.A.
Munsbach, Luxembourg
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AROC

AIRLINE REPRESENTATIVES AND OPERATORS COMMITTEE LUXEMBOURG

In the 80ies and early 90ies, two organizations protected the interests of airlines operating into Luxembourg: the first one was "ARL" (Airline Representatives Luxembourg), an organization regrouping the commercial representatives of airlines and the second one was AOC, the Airport Operator's Committee, regrouping the operational representatives (Station Managers) of the airlines operating to Luxembourg-airport.

On February 24th, 1994 the AOC was officially instituted as LAOC a.s.b.l. (Luxembourg Airport Airline Operators committee). In 2000, both organizations, ARL and LAOC decided to form a joint association, AROC a.s.b.l. (Airline Representatives and Operators Committee), in order to work more effectively as the interests of both were more or less identical.

Following airlines (passenger & cargo) are currently members:

- Air France
- British Airways
- China Airlines
- Lufthansa
- SAS Scandinavian Airlines
- TAP
- Austrian Airlines
- Cargolux
- KLM
- Luxair
- Swiss
- VLM Airlines

Last January the Executive Committee of 2007 has been re-elected to continue its successful work in 2008.

The ExCom consists of:

- President: Jeannot Erpelding (Cargolux)
- Vice President: Georg Langenberg (VLM Airlines)
- Treasurer: Evelyse Renassia (Lufthansa)
- Vice Treasurer: Stephane Volvert (Swiss)
- Secretary: Paul Kristensen (SAS)
- Vice Secretary: Jean-François Ringlet (Luxair)

Article 3 of the Article of Associations of AROC states that the object of the association is to enhance the relations between its members and to represent their joint interests with the local authorities, professional organizations and media, without any consideration as to profitability, politics, religion or race and with exclusion of any agreement on prices and prevention with regard to other companies to access the Luxembourg market.

The practical work of modern airline representation committees at airports is always quite challenging. Aviation became more and more complex in the last decade. Alliances were built up and most airlines changed their organizations to become more competitive. Also, the product(s) of the different airlines changed to sharpen their respective profiles towards their customers, the passengers. As a result of the aforementioned the requirements of airlines at all their destination airports changed significantly. Not all airports recognized this immediately, but in discussions in the respective AOCs the airlines addressed the changing demand to airport operators. Today service providers and airport operators are normally thankful for all feedback they receive from the airlines to improve their customer service and to become more attractive than the competing service provider and/or the airports which are in direct competition to each other. Finally the passenger as the end-customer decides which airport appeals most to him.

A good example for the changing demand at airports is the "fast track" at security check-points and passport control units, which you find at most major European airports. They have been established there to meet demand of frequent travelers. These fast track installations did not appear overnight. They were subject of discussions and negotiations in the local committees of the operating airlines (e.g. AOC, User Committees) many times before they were implemented. The AOCs, or here in Luxembourg the AROC, are the platforms where all areas of improvements at the airport are discussed. The main goal of AROC is to bundle the voices of all airlines at Luxembourg airport.

Stakeholders other than airlines such as authorities, service providers, handling agent(s) and airport operators, normally use the Airlines (Representatives and) Operators Committees also to inform commercial carriers about any changes at the respective airport. This also becomes more and more common in Luxembourg, mainly because it is an easy way to have access to all carriers involved.



AROC is very much interested in a constructive, fair, transparent and cooperative relationship with the airport operator and its local authorities.

The Executive Committee of the AROC consists of the President, the Vice-President, the Secretary, the Vice Secretary, the Treasurer and the Vice Treasurer who normally meet once a month to discuss major topics affecting their operation. The range of activities of AROC in Luxembourg reaches from initiating a safety awareness campaign, improvement suggestions for the new terminal to clearly expressing to the authorities the necessity to make all operating costs transparent, specifically now in times when responsibilities are being shifted from one airport stakeholder to another. Another topic of AROC members is their interest in establishing a second ground handling agent for passenger flights which will create value by having

a competitive situation in this area of Luxembourg's aviation market. All airlines will benefit from a transparent and competitive cost structure in all operational areas of Luxembourg airport, like handling, infrastructure and air traffic control.

Luxembourg is located at the heart of Europe with very good road access to all three neighboring countries Belgium, France and Germany. Therefore AROC also strongly supports the development of commercial aviation in Luxembourg with regards to the high potential catchment-area of the Greater Region. AROC encourages the respective entities in Luxembourg to do their best to attract new routes and carriers.

AROC supports also the interests of the very large cargo aviation community, which generates a high percentage of Luxembourg's air traffic. This is to underline the importance of the airport with one of the highest freight tonnage turnovers in Europe.

AROC also represents its members in various other committees, like the "Commission Consultative Aéroportuaire", "Comité des Usagers" (Airport User's Committee -AUC-), "Commission administrative et consultative des licences" and Runway Safety Team.

Georg Langenberg

*AROC A.S.B.L. - Vice-President
VLM Airlines - Station Manager*



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LUXEMBOURG AS A DISTRIBUTION HUB: OPPORTUNITIES FOR THE LOGISTICS SECTOR FROM AN INDIRECT TAX PERSPECTIVE

Anne Murrath



As companies try to reduce the cost of inventory and shorten delivery times, they will often introduce *distribution hubs*¹ in the supply chain, which they will want to locate close to their clients.

The geographical position of Luxembourg, its infrastructure, its multilingual workforce and the collaborative approach of the Luxembourg government give the country a competitive edge for this type of activity even if land is scarce and therefore generally more costly than in neighboring countries.

One of the key factors contributing to a country's attractiveness is its legal and tax environment.

Countries which are recognized leaders in logistics, such as Belgium and the Netherlands, are well aware of the importance of flexible VAT and customs rules for the development of the sector. What is less well known is that the Luxembourg VAT system is particularly advantageous to logistics companies, making Luxembourg a preferred location for a European hub. It has been one of the factors enabling the Luxembourg airport to become the fifth largest cargo handler by tonnage in Europe.

A COMPETITIVE VAT ENVIRONMENT

Pre-financing optimization

In principle, importing goods into the European Union (EU) generates a VAT liability in the country of importation. Most EU countries ask for a direct payment of the VAT upon importation or require specific procedures to defer its payment. In Luxembourg, the VAT on importation is dealt with in the VAT return and no cash payment of import VAT is incurred. This can result in a significant pre-financing advantage. Moreover, due to the comparatively small size of the local market, distribution hubs located in the Grand Duchy mainly purchase and sell their goods outside the country. Consequently, their purchases and sales will be mostly free of VAT.

VAT representation

As at January 1, 2008 Luxembourg re-adopted the system of tax representation for VAT purposes. Under this system, a foreign entrepreneur can appoint a third party logistics services provider in Luxembourg to carry out the necessary VAT formalities and to pay the VAT due in Luxembourg on its behalf. As a result, a foreign trader who did not register for VAT in Luxembourg is able to import its goods in Luxembourg and distribute them from Luxembourg without having to obtain its own individual VAT identification number. This can help facilitate the management of its VAT obligations and compliance. The re-introduction of the system therefore contributes to the improvement of Luxembourg's competitive positioning as a preferred point of entry and distribution in Europe and creates opportunities for logistics services providers.

Scope of right to deduction of VAT paid on expenses

Most EU Member States have implemented restrictions on the recovery of VAT on certain expenses (cars, accommodation). In Luxembourg, no specific restrictions exist except those related to expenditure on luxury items.

CUSTOMS DEVELOPMENTS

The Luxembourg customs authorities know that an efficient and flexible approach is instrumental in attracting logistics activities. The Luxembourg e-government and paperless customs initiatives should address the needs of the logistics sector whilst ensuring that the authorities are able to control these businesses. Moreover, the recently adopted modernized Community Customs Code and the European decision on 'electronic customs' should facilitate enhanced pan-European centralization of customs-related tasks. This should create an opportunity for Luxembourg to position itself as the central hub for logistics planning, management and administration (including VAT and customs compliance), even where the physical flows of goods take place outside the country.

CONCLUSION

The Grand Duchy's VAT and customs framework contributes to the country's competitiveness for logistics activities in Europe. In the future and taking into consideration European developments, it would appear that the main challenge will be to ensure that the required guidance, tools and trained officers are available and that opportunities are communicated timely and effectively.

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(Footnotes)

¹ A distribution hub refers to a central point from which finished or semi-finished goods are distributed to customers (be it other enterprises or end-consumers) and where value-added logistics activities are usually performed. These can include physical work on goods such as assembly, (re)packing and labeling, but also 'intellectual' tasks such as planning and management of the supply chain, invoicing and tax (VAT and customs) compliance.

CLINICAL LOGISTICS

As this issue of "Connexion" focuses on logistics, we invite you to find out more about a slightly different perspective of logistics as outlined in the following article...

The main task of any hospital is to improve the health of their patients. It is the task of clinical logistics to guarantee the availability of the required resources to this end and that the best possible care can therefore be given to the patient. In times of increasing cost awareness in the health sector the efficient use of those resources become ever more significant.

Good planning and management of smooth runnings within any hospital include a.o. optimizing those internal and external hospital transports which can be summarized as clinical logistics. Examples thereof are e.g. collaboration with or subcontracting to external service providers, although these various logistics tasks should be differentiated (purchase and supplies, stock management, internal transport provider, waste management and disposal).

In this case the high quality of the packagings used obviously plays an important part. The UN-manuals regulating the carriage of infectious goods (air, road/rail, sea) impose strict criteria on such packagings, be they the primary, secondary or rigid outer packaging. The risks of viruses of highly dangerous infections such as Ebola or Lassa-fever spreading unlimitedly in an uncontrolled area are simply too high.

However, packagings do not reach their final destination by themselves, and vehicles and their drivers are as important players in the domain of dangerous goods. Here also good care must be given that the goods do not fall in wrong hands, that neither the vehicle nor the driver or other personnel are contaminated, and that the cold chain, which is of ultimate importance for some goods, is not interrupted. To this end one can make use of special refrigerated vehicles, cryo-containers and/or deep-cold packagings. For air carriage this may sometimes be a bit of a problem, yet specialized companies are of great help when requested to organize such carriage from A to B, since they usually have at their disposal a vast network of information as to what IATA-registered airlines can and cannot fly.

This way university colleges and laboratories and/or hospitals, whose specialization is in another field altogether, can benefit from their know-how and save themselves a lot of frustration and time. Above all, they can avoid having to subject human and animal patients to yet another often painful sample taking, because the first lot got lost or had to be destroyed due to an inefficient cold chain.

With the ageing of the population, the number of diagnostics transports increases too. And thanks to the increased mobility of this population, (exotic) illnesses, diseases and their symptoms have become a fact of life. To these transports should also be added those diagnostics that serve research purposes, as well as the abovementioned clinical waste management, since clinical waste should definitely not be disposed of in simple household waste bins.

Unfortunately lack of space here doesn't allow the author of this article to lose himself in further interesting detail, but he would like to point out that, with plenty of dangerous diseases around us, including aviary flu H5N1, tuberculosis and measles, it is important to always ask the specialist when having to dispatch infectious materials. Because there is no alternative to zero-risk...

Roman Elsen

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INTERNATIONAL CONFERENCE ON DANGEROUS GOODS



Q: *So here you are again, what happened last November? We expected to hear and learn so much about you (cf. Connexion 3rd Quarter 2007), and you sort of disappeared off the face of this earth?*

A: Yeah, well ...hum ... I sort of interfered with the outbreak of some nasty disease hereabouts and many registrations from the health sector which had already been made had to be withdrawn because all those participants were more urgently needed in their labs and hospitals. I tell you that I was mightily miffed and upset as well, but sometimes you just have to accept facts, and this was one of them.

Q: *And what happens next?*

A: Well, we're back on track, this time you can meet me on April 16th and 17th 2008, same place, i.e. Alvisse Parc Hotel in Dommeldange, and you can read up on the Conference on the following website www.snct.lu, then click on the SNCT-logo, and then on ADR in the top bar.

Q: *Dear Dangerous Goods, we wish you plenty of success and a good and informative meeting!*

A: Thank you very much for those wishes, and above all for spreading the word in your great magazine.

INTERVIEW WITH

H.E. MINISTER JEANNOT KRECKÉ

ON THE DIVERSIFICATION OF LUXEMBOURG'S ECONOMY

The Grand Duchy's Government has identified the logistics sector as a promising business sector worth developing in the context of the diversification of Luxembourg's economy. H.E. Minister Jeannot Krecké, Minister of the Economy, outlines his views on the topic in an interview with AMCHAM...

Q: *How would you describe the current situation of the Luxembourg economy?*

A: The Luxembourg economy has all the characteristics of a mature economy; you cannot expect our GDP to grow at the same pace as in some of the emerging economies. But with a growth rate now estimated at 4% for 2008 and an annual employment increase of 5% (13'000 new jobs), our economy will undoubtedly again outperform those of our neighbors.

It is clear that the service sector and especially financial services are responsible for a major part of our economic activities, but it is important to point out that this sector is to a large extent tributary to events and developments taking place far beyond our national borders. In order not to become too much dependent on one single sector, I believe it is important for us to continue developing alternative activities like logistics, e-commerce, health technologies and others.

Q: *Which path should the Luxembourg economy follow to rest competitive on a global scale?*

A: The world might be flat, at least according to Thomas Friedman; but anyhow the earth does not stop turning. Our economy today is in a good shape; the economic fundamentals in Luxembourg, in the region and in the EU are good. We still cannot afford to lie back, it is important that we remain vigilant; we have to be constantly on the watch out because the rules of the game are changing. Some opportunities are fading out and new ones will appear. In order to benefit from a "first mover" advantage, we will have to identify those as soon as possible and implement the respective regulations as quickly as possible. But allow me to point out that, if we have to do this exercise on the political side, a similar responsibility lies with our businesses. Entrepreneurship and innovation cannot be organized by political decision makers. We are trying to provide a favorable framework; it is the responsibility of the business community to take it to the next level.

My collaborators at the ministry and I are certainly open to suggestions from your members on how to create or develop such opportunities.

Q: *Based on the feedback you receive during BED missions, what are the issues potential investors regard as inhibitive to coming to Luxembourg and what are the measures you take to resolve any obstacles?*

A: I would not speak of inhibitions per se, what we are confronted with is most of the time a lack of information about Luxembourg. We have to explain that Luxembourg is more than meets the eye and cannot be understood properly if you focus only on mere comparative figures and data. I hope that the newly created agencies "Luxembourg for Business" and "Luxembourg for Finance" will contribute to enhance the visibility of Luxembourg among decision makers abroad. Together with the BED Trade and Investment offices we now have powerful tools for efficient communication at our disposal. And I also count on organizations such as AMCHAM to spread and amplify our fundamental message that Luxembourg is a prime business place in Europe.

Q: *Typically there are several sectors that have proven to be very successful, such as the financial sector, e-business and services. Which priorities for the development of new sectors does your Ministry have?*

A: We do of course rejoice in the continued success and expansion of the financial center and of e-commerce related businesses. Industrial diversification however remains high on the agenda not least because of the positive impact on service providers. Health technologies and logistics are two key sectors where we have developed concrete and detailed action plans that we are in the process of implementing. Next we will pro-actively turn towards environmental technologies, the so called "eco-technologies". Currently we are in a consultation and fact finding phase in order to apprehend

Minister Jeannot Krecké

the conceptual basis before establishing a precise agenda. It is my strong resolve to put a particular emphasis on energy saving technologies.

Q: *What are your visions for the logistics sector? What projects are on their way to promote the logistics sector in the Grand Duchy?*

A: We intend to position Luxembourg as a multimodal intra-continental hub for value added logistics, the so-called 3PL (warehousing, packaging, processing and shipping) and 4PL (organization of production and distribution flows) as well as reverse logistics (handling of overstocks, recovery, recycling, and reselling of non-sold products).

With Cargolux and the Cargo Center at Luxembourg airport we have strong assets for airfreight related logistics. The Eurohub South infrastructure offers excellent intermodal capabilities (road-railway interface, piggyback facility, container port) and growing connectivity via rail to the major ports of the North Sea. These two formidable stepping stones should allow for a fast and efficient build up of value added logistic service activities

Minister Krecké, we thank you for this interview.

ABOUT JEANNOT KRECKÉ

Minister of the Economy and Foreign Trade, Minister of Sports.

Jeannot Krecké was born on April 26th, 1950 in Luxembourg-City. After attending elementary and secondary school in Luxembourg, he studied at the “Université Libre de Bruxelles”, Belgium. When a hip injury put an end to his job as Sports and Physical Education teacher, he decided on a new career and studied economics, accounting and tax laws.

In 1992 he was co-author of a textbook on personal taxation in Luxembourg and he became outside consultant with audit firms Mazars (1994-1999), Arthur Andersen (1999-2003) and Ernst&Young (2003-2004).

Very early, Jeannot Krecké joined the Luxembourg Socialist Workers Party (LSAP), and he became actively involved in politics first locally, later on the national level.

In 1989 he was elected to the town council of Luxembourg-City and designated Chairman of the socialist councilors group of the council in 1993. From 1993 to 1996, he was Chairman of the Socialist Party in Luxembourg-City.

In 1989 he was elected to the Luxembourg Parliament. He was comfortably reelected ever since. He became treasurer, then Vice-Chairman and in 1997 Chairman of the Socialist Parliamentary Group.

Due to his keen interest in economic and financial topics, Jeannot Krecké was successively named Chairman of the Economic Affairs Committee and Vice-Chairman of the Finance and Budget Committee in Parliament. He later chaired the Monitoring Committee for Budget Implementation. He was responsible for the Parliament’s report on the Government’s budget proposal for 1996, and a year later for a special report on tax fraud. He was co-author of a book on the control functions of the Luxembourg Parliament.

Regarding his social commitments, he was a co-founder of the Luxembourg Alzheimer Association in 1987, which he also chaired until 1997. In recognition of his achievements in uniting efforts on the European level, he chaired the organization “Alzheimer Europe” from 1997 to 2001, and under his leadership the organization chose to set up its executive offices in Luxembourg. Today he is the chairman of the Luxembourg Alzheimer Foundation.

In sports, a career as an international soccer player was followed by one of an avid sailor. In 1987 he was a member of the crew that won the transatlantic Constitution Race. In 1989 and in 1992, he organized polar expeditions in the Greenland Sea and around Spitzbergen.

Following the national elections of June 2004, Jeannot Krecké was appointed Minister of the Economy and Foreign Trade as well as Minister of Sports.

Jeannot Krecké is married and lives in Luxembourg-City.



CONSULAR OFFICER

ADAM CENTER

Adam Center is the Consul at the American Embassy in Luxembourg. Adam arrived here during last year's Schuberfoeur and was initially quite excited to think that the revelry of the Schuberfoeur was indicative of daily life in Luxembourg. Alas, roller coasters, ferris wheels, and cotton candy, Adam has since learned, do not comprise the quotidian life in the Grand Duchy.



Adam joined the U.S. Department of State's Foreign Service in 2002. He brings with him to Luxembourg experience at the U.S. Consulate General in Guadalajara, Mexico, and at the American Embassy in Caracas, Venezuela. He speaks French and Spanish comfortably and is hoping to pick up some German – and maybe even some Luxembourgish – while here. He has a very, very rudimentary understanding of Italian and Hebrew, as well.

As a consular officer, Adam must undertake the challenge of one of the United States' most paramount foreign policy objectives: the welfare of American citizens abroad. Adam's duties involve routine matters such as passport issuances and renewals, as well as providing notarial services, but he must be on call 24 hours a day in the event of an emergency or crisis involving American citizens. While Adam naturally finds difficult the necessary task of reporting and assisting with deaths of Americans in Luxembourg, one of his most favorite aspects of the job is the joy that comes with officially documenting "new" Americans (babies born in Luxembourg to one or two American parents).

Adam's consular duties also require him to conduct weekly interviews of nonimmigrant visa applicants. Since Luxembourg and many European nations participate in the Visa Waiver Program, most Luxembourgers do not require a visa for travel to the United States. As such, the majority of visa applicants Adam interviews come from other nations. In this capacity, Adam is able to meet a wide array of Luxembourg's diverse population. As the Embassy's Consul, Adam is often the face (albeit not the prettiest of faces) of the American Embassy to many of Luxembourg's citizens, residents, and visitors.

Adam was born and raised in Atlanta, Georgia. His southern charm and hospitality is evident from the minute you meet him. He relishes the personal interaction that comes with the life of a diplomat. He also wears a hat as one of the Embassy's Political Officers, so he maintains a positive rapport with many representatives of Luxembourg's government, as well.

From Atlanta, Adam moved north to Washington, DC, where he first attended Georgetown University's School of Foreign Service. After a short stint as a contractor for the U.S. Navy, Adam embarked on his diplomatic career at the age of 23.

Adam and his wife of five years, Lara, will be in Luxembourg through the summer of 2010. He is regarded throughout the Embassy community as a fun-loving guy who works hard but has a good time doing it. He may be best known for his "largish" cat, Pickles, once rumored to tip the scales at over twenty kilos! (a slight exaggeration, says Adam). Adam and Lara will be the proud parents of their own "new American," a bouncing baby boy, due to join the Center family in late Spring 2008.

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EDMOND ISRAEL


“SOME KEYS FOR A SUCCESSFUL INTERNATIONAL LIFE AND CAREER”

Summary of the speech by Edmond Israel held at the ABAL Luncheon on December 3, 2007.

Edmond Israel

In Love with Life

An American Dream
of a Luxembourger



PAMPERED CHILD
REFUGEE
FACTORY WORKER
INTERNATIONAL BANKER

NEW THINKING

Interviewed by Raymond Flammant

When Paul Schonenberg proposed to me this topic, I was asking myself right away the question “Was my life really a success?” If success is to be measured by the yard stick of huge wealth, then this key is missing on my key holder. If however success means achievement then, I think that my life and career can be defined as successful.

Indeed, during the last World War, my family and I were confronted with

the challenge of survival. My career started in 1942 as a factory worker in Newark, Jersey, and after the war I became a banker in Luxembourg. Very early in my life I had a dream to become a teacher of philosophy. This goal was achieved many many years later and now I am fascinated by astrophysics and cosmology, topics which in my view shape the philosophy of the 21st century.

To illustrate the topic of my speech, may I briefly evoke first my life. In fact, I lived several lives.

My childhood and adolescence were marked by the last World War. On the 10th of May 1940, my parents and I, we had to leave Luxembourg in the early dawn when the Nazis invaded our country.

We spent two years in France as refugees hiding often from the German occupier who also controlled the so-called Free Zone under the Vichy Regime.

We left France and then Morocco at the very last moment (June 1942) by ship crossing the Atlantic Ocean infested by Nazi submarines.

In the early dawn announcing a sweltering day of June, we were gazing with an indescribable excitement at the horizon until finally we saw the misty outline of the New York harbour and the Manhattan skyline. In a split second, we realized that our life was saved and that we were free. We sent a silent prayer to heaven.

In the USA I had to earn a living for me and my parents as a factory worker in Newark, New Jersey.

After the war, I started at Banque Internationale à Luxembourg (BIL) as a bank employee at the bottom of the ladder. I retired after forty years at the same bank, now called Dexia BIL, as General Director and Member of the Executive Board.

I contributed to build the international financial centre of Luxembourg and was founding chairman of Cedel now Clearstream International of which I am proud to be at present the Honorary Chairman.

A few words on banking in Luxembourg. It started with the floating of a syndicated bond issue devised by a creative London banker, Sir Sigmund Warburg, in 1963. The Eurobond market has started with this bond issue of USD 15 million by Autostrade, 5½ %, 1963-1978. It came to the market with an international syndication of an underwriting and selling group. This proved to be a great success and in the course of the ensuing years, this market grew to such an extent that by now, its total value of issued bonds exceeds USD 4 trillions (4000 billion).

Edmond Israel



The first issue was listed at the Luxembourg Stock Exchange and soon the market grew rapidly and the necessity arose for an international clearing and settlement system. The first one was Euroclear operated by Morgan Guaranty Bank in Brussels, Belgium, soon followed by CEDEL now Clearstream International, which was founded in September 1969. I had the good fortune to be personally involved with this operation as a member of the staff of Banque Internationale à Luxembourg (BIL).

This was the starting point for the birth of the international banking and financial activities in Luxembourg in a number of areas. Among these, the international fund business grew to such an extent that by now Luxembourg ranks no. 2 in this sector worldwide.

Let me point out that I am confident for the future of the international financial sector in Luxembourg. In this area, I believe that asset management should be developed extensively because Luxembourg combines two essential features: multi-culture and professionalism coupled with an inborn sense of caution and prudence.

At present there are more than 45 000 securities with a great diversification listed on the Luxembourg Stock Exchange and Clearstream International holds in safe custody securities for a global amount of approximately USD 10 trillion.

Though retired as a banker, I still fulfil quite a number of honorary functions, travelling a lot particularly in Asia as Governor representing Luxembourg at the Asia-Europe Foundation/ASEF.

So far the individual features of my life.

Having said all this, what were the main keys for some of my achievements, which can also apply to most of the people.

In my view, the main key opening even the most sophisticated lock is what I call, to be "In Love with Life". Then, in my personal bunch of keys, let me single out some of other keys :

1. Looking always ahead instead of indulging in past thinking
2. Therefore, be always engaged in constructing whenever possible the future of your personal and professional life as well as bringing constructive contributions to your environment
3. For each problem always try to find a solution, because each problem has a solution
4. In analysing the problem confronting you, start from the worst case

scenario. In general, the problem is not so bad, and then the solution is more easily devised

5. Never stick to a failure
6. Always have a strict sense of ethics
7. Never shun competition
8. On the battle ground of competition always fight in all openness and transparency
9. Be aware that nothing is permanent but change.
With regard to change, if I look at the audience of today, I see nearly as many women than men. This is an expression of the new trend of our time, which I consider as very important. On the political scene, some women are remarkable leaders shaping the world of today and tomorrow. In the private sector progress has still to be made so that women who have the capacity to be decision-makers should occupy top positions, not because they are women, but because they are capable.
10. In a knowledge-based society acquiring knowledge through proper education and life long learning is essential.
Life long learning applies not only to employees in banks and companies on a lower level, but also and even primarily to those occupying top positions in many areas, like for instance in banking where activities and products become increasingly complex and sophisticated. Therefore, decision-makers have to acquire the essential knowhow in order to avoid mistakes and wrong decisions, which can have sometimes extremely negative consequences.
11. Finally Success in Life and in the professional career needs also luck, but luck comes rarely alone, one has to provoke it.

So Good Luck to all of you!

Edmond Israel

Mr. Edmond Israel's speech is available on YouTube and will soon be found on AMCHAM's website www.amcham.lu

HIMMERODER FORUM

CROSSING BORDERS

A KEY TO ENTREPRENEURIAL SUCCESS?

The Greater Region is centrally located within the “Blue Banana”



Situated among the rolling hills of the Eifel, the Abbey of Himmerod set an impressive frame for an entrepreneurial forum organized by business consultant Dr. Ekkehard Nau. The Abbey was founded in 1135 by Bernard of Clairvaux, one of the most commanding Church leaders in the 12th century, was secularized in the early 19th century under Napoleon Bonaparte and rebuilt in the 20th century. In these magnificent historical surroundings the panel discussed the potential benefits regional companies could reap from crossing the borders to the neighboring countries of the Greater Region and from there to global markets.

The Eifel region has often been viewed as a fairly secluded part of Germany with little to offer in economic regard. A second glance reveals a very different picture: Firstly the region boasts an excellent strategic location as a part of the Greater Region which in turn is in the center of the so-called “Blue Banana” (details please see graphic), an area in which half of old Europe’s GDP is produced. Within the Greater Region Luxembourg certainly functions as an economic magnet; however, each region can contribute to the economic success with specific complimentary advantages. The Eifel, for example, offers a highly skilled and loyal work force, very attractive real estate prices and excellent logistical connections. Secondly the Eifel region calls itself home to many highly specialized companies offering world-class products which nonetheless have a low visibility on the markets of the adjacent countries.

WHAT SHOULD COMPANIES TAKE INTO CONSIDERATION WHEN DISCUSSING CROSS-BORDER ACTIVITIES?

Paul Schonenberg, AMCHAM’s Chairman and CEO, pointed out that there was a tendency for these companies to look mainly towards the internal German market, therefore implicitly turning their backs on the neighboring countries and thus missing out on global perspectives.

In order to expand one’s international presence it was essential to change one’s mindset and perceive the opportunities crossing borders offered: “If you view yourself as a small, regional company, you will remain a small, regional company. If, however, you decide to view yourself as a young, internationally active company, you can overcome inner barriers which limit your activities. Every journey starts with one step.” In this context Luxembourg could be seen as an excellent platform to gather first-hand experience in a predominantly international environment and as a gateway to Europe and the rest of the world. Indispensable requirements were proficiency in English - as most business people used English as their preferred “first second language” – and a keen understanding of other mentalities.

Christoph Holkenbrink, Mayor of Wittlich-Land, which comprises 25 communities, is not a stranger to AMCHAM. He explained that he had established closer ties with AMCHAM regarding the “Industriepark Region Trier” (www.i-r-t.de) in order to promote the industrial zone internationally by using the Chamber’s extensive network. Looking at the Greater Region, he underlined the importance of language proficiency. With France, Luxembourg and parts of Belgium being francophone countries, a successful expansion required a good command of French. In his district first initiatives had been taken to establish French lessons as early as kindergarten in order to raise children with an open mind and enable them to benefit from the opportunities of the Greater Region. The entrepreneurial side was represented by Birgit Steil, Managing Director of one of Europe’s biggest specialists in heavy load crane services (www.steil-kranarbeiten.de). Her experience has shown that the impressive growth of her company was substantially nurtured by the decision to cross the border and establish branches in Luxembourg and France. Without the international presence her business would have remained at approximately 30% of the current level. She strongly encouraged other entrepreneurs to follow this path and at the same time pointed out that it was essential to master foreign languages and work with local people who understood the mentality of the respective country.

The participants agreed that with the right preparation crossing the border was a step in the right direction for regional companies. The discussion is yet to be continued...

Tatjana Schaefer

AMCHAM Communications Director

Y BOTHER?

FARADAYCLARK
RECRUITMENT



With the Babyboomers heading for retirement, and Generation X having kids and moving to the country, we're facing the next wave of incomers to the job market – that's Generation Y: the Millennials. Born after 1980 and graduating in the 21st century, these racially diverse and technologically aware 20 somethings offer very different challenges and opportunities for those who need to work with them. Darren Robinson from international recruitment consultancy, FaradayClark, investigates...

The Millennials are the first generation for whom the Cold War, Vietnam and even the Falklands conflict aren't live events, but history book subjects. The Berlin Wall fell while they were at primary school and they've seen all wars since conducted on TV – thanks to 24 hour news coverage.

HIGH SPEED

This generation is umbilically connected to electronic devices. Hard wired to the net, Generation Y operates through sophisticated support networks where friends, parents, teachers and even potential employers are accessed online, filtered, processed and filed. Unlike Generation X, Y gets her news online and shares it through a host of social networks. With so much communication online or in txt spk, Generation Y expects information fast, immediate and ever changing.

This is the PlayStation generation, and the constant stimuli from video and computer games means that they're quickly bored if they don't have enough going on around them to keep them busy. Their lives have been overly structured from the day they started school. Failure is not in their language; merely

lower level achievement; celebrities are the role models of the day. So, on the face of it, Joe and Jessica Y aren't much of a prospect. They want everything now without working for it and even if you give it to them, they'll quit in a couple of years to travel round the world or audition for the X Factor.

A LOT TO OFFER

But do we really face the prospect of a workforce peopled only by the rejects of TV reality shows? Of course not – the Millennials have a lot to offer in the workplace.

As an employer, what can you expect when you recruit Generation Y?

For a start, never has any generation been more technically literate – they will thrive in a team environment and excel in projects that require research – it's all at their finger tips, literally. What have been learned skills for the Babyboomers and Generation X are totally natural for Y-grads.

They don't have a problem taking on several projects at the same time as long as you make your expectations clear at the outset. The sheer structuring of every minute of Joe Y's

life through school and university means deadlines are no longer a dirty word. In fact, Joe Y demands them and will meet them.

Give regular and open feedback. This is demanding on managers' time but the benefits will be worth it. Importantly, it's what Jessica Y expects. She is highly suspicious of corporate spin so be direct with her.

They are hungry to learn, so feed their hunger with a pipeline of challenging work.

Support them with problem solving and goal setting; value their strengths rather than fretting about their shortcomings.

Joe and Jessica Y regard the world as their global playground. They're already linked up to their peers on all continents and will relish the chance to up sticks and grab the right opportunity, whether it's in Sunderland, Seville or Shanghai.

IT'S A BALANCE

Money matters, but quality of life matters more. Joe and Jessica Y believe in themselves and their own value and see themselves as owning their career rather than being a 'human resource' in any organisation. So, they expect a good financial package, but one that cuts the commute, allows flexible working, offers a range of other benefits, great development opportunities and a fantastic work experience.

The reality is that you won't be able to avoid Generation Y. Already, the fastest climbers are hitting management levels in organisations and soon they'll be evolving business culture further. And this self-same culture is increasing its buying power – they're your key customers too.

So, live with them, enjoy them and get the most out of them. They're here to stay – until Generation Z puts them in their place.

darren.robinson@faradayclark.com

FaradayClark (formerly Badenoch & Clark) was established in Luxembourg in 2003 and is the primary supplier of Financial and Accounting staff to many of Luxembourg's leading employers. We provide straightforward and honest recruitment solutions at all levels in Financial Services, Commerce & Industry, and Trust Services. We also specialize in Executive Recruitment for all roles above EUR 100,000 per annum.

For more information please do not hesitate to contact Chris Purdy on (+352) 261 928 1002 or e-mail chris.purdy@faradayclark.com

BUSINESS TRAVEL TRENDS FOR 2008

Business travelers will remember 2007 as a year of brutal flight delays, crowded airplanes and higher prices. 2008 promises to be even more affected. The fare structure of the airlines is changing more and more due to the high percentage of electronic tickets and variable booking channels such as online booking.

Hotels push the dynamic pricing and a very tough yield management, car and train suppliers are following very close...



Key Trends are Altering the Way Road Warriors Work in the Airport, on the Plane, and in the Hotel

2007, one of the most crowded air travel years on record, has been a tough year on anyone who's had to conduct business on the move.

In a year of delays and cancellations, business travelers have had to call on all of their resourcefulness and creativity to stay productive. To say that the needs of business travelers have not been helped by the current realities of air travel is to put it mildly. It has been a banner year for missed flights and therefore missed meetings. Business travelers have had to depart ever earlier for the airport, yet have set records worrying about missed connections.

What's changing? Perhaps the most significant trend is that travel has rebounded in a big way, and continues to boom. Not surprisingly, airlines, airports, and air traffic control systems have been hard-pressed to keep up. Terminals crowded with leisure travelers continue to put the squeeze on business travelers, who seldom anymore enjoy any peaceful personal space, let alone access to that rare electrical outlet or bulkhead seat for stretching their legs.

Despite the hordes, however, the canny road warrior can still make headway by taking advantage of several trends. Perhaps the most positive of these is expanded Wi-Fi access at airports, as well as Internet kiosks where those lugging laptops can "connect" and recharge batteries. Still, airport business centers remain the sanest refuge for the business traveler. And more and more airlines are now offering day-passes for their business centers and lounges.

One trend that is making laptops less essential on business trips is the rise of the BlackBerry. Like everyone else, I have a love/hate relationship with my BlackBerry. I love the fact that it is lighter and takes up less space than my laptop. It holds a charge longer than a laptop. On the other hand, my BlackBerry doesn't have spell-check or access to the many programs, attachments or network applications my notebook gives me. Easily the biggest drawback of any PDA is the tiny keyboard, which has the unintended consequence of causing emails sent by this method to seem overly terse and direct. The other difference between a BlackBerry and a laptop is that in using the latter you're more likely to email proactively, while the BlackBerry tends to encourage reactive emailing.

The trend toward tighter security at airports is having the unintended consequence of lightening the load normally toted by the road warrior. That's because many business travelers are not only trading in their laptops for PDAs, they've taken to shipping luggage ahead to their hotels.

If airports are tough places to work, airplanes are beyond the pale. Clearly, no one who ever had to do a lot of airborne laptop keystroking ever designed an airplane. Sure, there are fine first class and even enhanced business class accommodations. Unfortunately, the cost-cutting trend at many companies means you'll probably be booking an economy fare. Traveling economy is, in my opinion, a false economy because it's such an inherently difficult environment for anyone wanting to get any work accomplished. Noisy, claustrophobic, and lacking power plugs (smart laptopppers can check out





SeatGuru.com to see where the few power ports are on their jet), the low-fare option is the ultimate challenge for any businessperson seeking to be productive in the air.

Laptopers who get stuck behind someone who decides to hit the recline button are just plain out of luck. When deciding which laptop to purchase, it is important to spend some time really thinking about how you will use it. Do you really need a full desktop replacement? Will you need a larger screen? How many DVDs will you watch? All of these options add weight and size. This will make the use of the laptop on the road more challenging.

Despite my best intentions, I find that I am just way more productive working in my hotel room. Most good hotels have business centers and many have free Internet service. In fact, the ubiquity of Wi-Fi at hotels means you and your laptop are no longer confined to your stuffy room. Now you can work at practically any location where your laptop can detect a Wi-Fi signal, including in the lobby or even on the beach at some hotels!

On the horizon -- and actually in operation at some overseas airlines -- is a new trend that should send a shiver down every road warrior's spine: cell phones on planes. I mean, think of the potential for conflict. On the other hand, it could be that a counter-technology as simple as noise-canceling headphones will solve the issue. Still, I shudder at the mere idea that my seatmates might be chattering nonstop on my next nonstop.

Clearly, the life of the road warrior entails stress. One of the good things coming out of that is that businesspeople are dressing more casually and comfortably on flights. They recognize that long waits in airports, on the tarmac, and everywhere in between are making it more difficult to remain neat, fresh, and businesslike. The trend toward comfort togs is a trend I like. Sure, I'd prefer air travel to be faster and more efficient; but in the meantime, my advice is to invest in clothes that travel well -- even if you can't.

Owen N. Wild
Fast Company Magazine

LITHIUM BATTERY LIMIT IN CARRY-ON BAGGAGE TO U.S.

Passengers will no longer be able to pack loose lithium batteries in checked luggage beginning January 1, 2008 once new federal safety rules take effect. The new regulation, designed to reduce the risk of lithium battery fires, will continue to allow lithium batteries in checked baggage if they are installed in electronic devices, or in carry-on baggage if stored in plastic bags.

Common consumer electronics such as travel cameras, cell phones, and most laptop computers are still allowed in carry-on and checked luggage. However, the rule limits individuals to bringing only two extended-life spare rechargeable lithium batteries, such as laptop and professional audio/video/camera equipment lithium batteries in carry-on baggage.

"Doing something as simple as keeping a spare battery in its original retail packaging or a plastic zip-lock bag will prevent unintentional short-circuiting and fires," said Krista Edwards, Deputy Administrator of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration.

Lithium batteries are considered hazardous materials because they can overheat and ignite in certain conditions. Safety testing conducted by the FAA found that current aircraft cargo fire suppression system would not be capable of suppressing a fire if a shipment of non-rechargeable lithium batteries were ignited in flight.

"This rule protects the passenger," said Lynne Osmus, Federal Aviation Administration (FAA) assistant administrator for security and hazardous materials. "It's one more step for safety. It's the right thing to do and the right time to do it."

In addition to the new rule, PHMSA is working with the FAA, the National Transportation Safety Board, the Consumer Product Safety Commission, the battery and airline industries, airline employee organizations, testing laboratories, and the emergency response communities to increase public awareness about battery-related risks and developments. These useful safety tips are highlighted at the public website:

<http://safetravel.dot.gov>

Information kindly provided by BCD Travel Luxembourg

SECOND LIFE JOB FAIR

FIRST RUN OF 'WORKING WORLDS' VIRTUAL JOB FAIR ON SECOND LIFE IS BIG SUCCESS

On Wednesday November 28, 2007 'Working Worlds' (www.working-worlds.com), the first virtual job fair for Luxembourg, was held on Second Life. Organized by GAX Technologies, the fair was a significant success, bringing together professionals from 45 countries world-wide who were vying for jobs from Amazon EU, Dexia, Hays, Interfiduciaire, Kaupthing Bank, Lombard International Assurance, Manpower, Openfield, Randstad and Vistra.



During the fair, the 'Working Worlds' islands of Second Life, which played host to the event, welcomed 2,000 visitors and saw more than 300 job interviews, while 50+ candidates are being invited to Luxembourg for face to face interviews. All participating companies had their own virtual recruitment booth and the fair also provided a press center and conference room.

The next 'Working Worlds' event will be held for Benelux on Second Life in May 2008.



Cornelia den Hartog of GAX Technologies says: "The results show that there's a market for recruitment within Second Life, and that new methods of finding high calibre employers are well supported in this thriving online community. Amazon EU identified, without having to travel from the U.S., 10 suitable candidates for Luxembourg at 'Working Worlds' and Dexia was recruiting for both its Luxembourg and Paris operations. The participating companies were satisfied with the outcome."

GAX Technologies designed the concept and recruitment software for 'Working Worlds', so it could be deployed successfully for Second Life's biggest ever job fair. The company's IT and e-marketing competence meant that participating companies could quickly search candidate's resumes from a database of 1,500, add pertinent comments, make an informed selection and create their own categories and agenda in the database.

Cornelia den Hartog adds: "Luxembourg has significant recruitment difficulties, as there are insufficient fresh candidates to meet demand. So, it makes sense to open the country's recruitment market internationally using Second Life, which offers global reach, candidates who are savvy with the IT and business worlds, no travel expenses and low running costs."

Second Life is a 3D virtual world entirely built and owned by its residents. From the moment you enter the world you'll discover a vast digital continent, teeming with people, entertainment, education, experiences and opportunities. On Second Life you do whatever you want; you can create content, design your own home, sell products, do brand marketing, hold events, and travel endlessly from the comfort of your own computer.

IT'S NOT A GAME!

Multinational companies such as Warner Bros, Adidas, IBM, Dell and Toyota have taken the opportunity to brand themselves through Second Life recognizing Second Life's reputation as a trendy environment. Opening virtual offices

or shops, selling and market testing digital replicas of products, and creating 3D online individuals are becoming important on the "to-do" list of those eager to become better known in the digital age.

IT'S SERIOUS!

Even Reuters has appointed a Journalist to operate full time inside Second Life!

Top educational institutions, including Harvard Law School are currently exploring the possibilities of the online community to greater their appeal, scope and availability to a wider audience.

Politically, the two main candidates in France's presidential election opened virtual headquarters in Second Life, allowing inhabitants to engage in debates, attend political rallies and take part in protests in a multidimensional world that makes traditional campaign web sites seem quaint and antiquated. Sweden has even opened an Embassy on Second Life ! Further examples are numerous.

SO, WHERE DOES IT GO?

Second Life can not be looked at in isolation, or you will miss where it's going. Our emerging future will include three separate kinds of "worlds" – the Real World, the Digital World (2D Web, Internet), and the Virtual World (3D Web).

GAX Technologies an IT Solutions company, was the first Luxembourg company to create a presence on Second Life. Its virtual office on the island, 'Luxembourg Business', was officially opened on June 28, 2007 by Minister Jeannot Krecké.

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LUXEMBOURG

BECOMES SAS 70 TYPE I COMPLIANT

Today, SD WORX is the first payroll management services provider to obtain a SAS 70 Type I audit report for its payroll activities.

The SD WORX group was set up in Belgium in 1945 and quickly became the market leader in the area of remuneration management services.

In 2003, keen to satisfy the increasing demand for efficient salary management services on the Benelux market, SD WORX has set up a specialized unit within the Grand Duchy. This company, which was established in Luxembourg by SD WORX, is the result of a joint venture with Deloitte & Touche Fiduciaire. Each month the SD WORX Luxembourg team sends over 10.000 employees their exact pay slip details and offers its 400 clients a wide range of perfectly integrated HR services, based on 5 pillars:

- payroll (salary calculation and administration)
- social information (labor and tax law)
- training center (training sessions on labor and tax law, HR management...)
- HR consulting services (recruitment, salary benchmarks, outsourcing of the HR function...)
- HR automation (implementation of HR management software...)

In order to align with the mother company's situation - as SD WORX Belgium obtained the type II audit report in November 2005 - SD WORX Luxembourg wanted to provide evidence that specific controls had been set up in order to guarantee the highest level of confidentiality and protection of the clients' strategic information.

Indeed, the SAS 70, developed by the AICPA (American Institute of Certified Public Accountants), is an internationally recognized audit standard which implies a strict examination of the controls implemented at a service provider's. At the end of the reference period, the Type I audit report is issued and contains the service auditor's opinion on the quality, reliability, and completeness of the controls. The SAS 70 audit of SD WORX focused on the payroll management activities and pay calculation.

WHY SAS 70?

The SAS 70 (Statement on Auditing Standards) identifies service providers that have implemented strict internal controls and procedures. These audit reports are all the more important that they can be used by clients as a tool to implement Section 404 of the Sarbanes Oxley Act concerning the appraisal of their internal control efficiency and financial reporting.

Thanks to a recognized independent auditor who is familiar with SAS 70 audit reviews in Luxembourg, SD WORX's internal controls have been investigated in order to be in line with the local best practices.

Becoming SAS 70 compliant strengthens SD WORX's commitment to deliver the most efficient services possible in terms of remuneration management. Our clients are required to set up strict controls concerning their financial information and internal procedures. That is why it is essential for them to build up a business relationship with a service provider that understands these requirements and applies the same level of control to its own activities.

As a SAS 70 audit is a continuous process, the examination and release of the Type II audit report is scheduled for 2008. This means that SD WORX's internal controls will be examined during an extended reference period.

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ISSUES FOR INDIVIDUALS AND FOR COMPANIES

Facing a global economy dealing with perpetual changes, one major issue for leaders is human resources management and especially the capacity of men and women to cooperate. Managers are expected to use charisma, leadership and capacity to develop constructive relationships in order to achieve three important issues:

- optimize emerging partnerships between organizations
- react to the evolution of hierarchical structures for example “by project”.
- develop cooperation and incentive within teams which are increasingly multicultural.

Isn't the common denominator for these challenges the development of effective communication? A communication taking into account individual characteristics, communication allowing to give the best of yourself, especially in a conflict of interest situation? This is the point where Process Communication – “Process Com®” - provides relevant and meaningful answers.

PROCESS COMMUNICATION – A LITTLE BIT OF HISTORY

Within 20 years of scientific researches on human behavioral mechanisms, Taibi Kahler, nowadays a famous U.S. Doctor in psychology, established a unique model of identifying and understanding personality structures, life passages and communication dynamics (Eric Berne Award). The innovation in his approach is the *“measurable and predictable identification of positive communication behaviors as well as of those behaviors that lead us towards miscommunication and are a source of distress”*.

In the 80's, NASA took advantage of this discovery by using Process Communication Model® in the selection, placement, and training of astronauts. (NASA still uses it nowadays to find out which astronauts will be the most mentally strong and capable under situations of intense stress and pressure!) Since then the model continuously evolved and developed itself not only within organizations belonging to the most powerful in the world. So far, more than one million individuals in nearly 120 countries have benefited of its concrete and innovative support and

Process Communication is now recognized as one of the most powerful and complete tool to achieve self-awareness and self management as well as interpersonal relations in terms of:

- management
- communication
- leadership & membership
- recruitment & assessment
- trade relations

IN PROCESS COMMUNICATION, THERE IS “PROCESS”

The principle of the model is to learn to set up a good process of communication to create a constructive and fruitful relation, which develops the motivation and frees the desire of cooperation. In the words of T. Kahler:

“If you want them to listen to what you say, talk their language”.

Process Communication seminars made available by Kahler Communication, which can be inter or intra-companies, provide the participants with the opportunity to base themselves on a personality profile in order to discover and spot the different types of personality defined in the model, styles of management and favorite environment, enable listening by the process, allow to find the right channels of communication, provide an understanding of the difficult - and often repetitive - situations with the benefit of understanding and creation of adapted solutions.

It is clear, that the needs of various professions also have to be fulfilled as done within specific contents such as “Banking on People®” and “Selling®” or via customized seminars created and individualized for example for recruitment, evaluation, construction, cohesion and development of teams. Kahler Communication doesn't only provide such trainings: for more than 15 years, professional advisors worldwide have been trained and supervised by certified Kahler Communication personnel via certification courses for training, team coaching, individual coaching, recruitment as well as assistance.

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Some people live in harmony with themselves.
Some people have activities and job according to their expectations.
Some people are simply in the right place at the right moment.
Where would you position yourself?

Valérie Raffalli
Partner Manager

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Website: www.kahlercom.lu

U.S. SOCIAL SECURITY AND YOU



The U.S. Social Security program provides insurance against the loss of income due to retirement, death or disability. The U.S. system is relative new compared to many European pension systems.

The Social Security system was created in 1935 and has since undergone many changes. Several significant events in history have shaped it, such as the population shifts from the countryside into big cities, longer life and the steady decline in the practice of extended families.

To become eligible for benefits, an individual would generally have to work 10 years or more in the United States. However, social security agencies from around the world recognized that there are a growing number of workers who have spent their careers working in different countries. Therefore many workers may not have worked long enough in

a country to qualify for a pension under normal circumstances. For these workers, social security agencies have entered into "totalization agreements" whereby each country can use another country's work record to qualify the worker for benefits from one or both countries. Luxembourg and the United States have such an agreement.

For workers who fall under the totalization agreement, the worker need only work a year and a half in the United States to possibly qualify for U.S. benefits. In addition, the worker's spouse and young children, under certain conditions, may also qualify for benefits. The worker or any dependents do not have to be U.S. citizens to qualify for benefits. Retirement benefits can begin as early as age 62.

Contrary to popular belief, Social Security benefits were never meant to completely replace lost wages. Instead, the benefits were meant

to be the financial foundation for one's retirement along with savings and other pensions. The amount of one's benefits depends solely upon one's earnings in the United States.

In 2008, the average monthly benefit was USD 1,078.00. The computation of benefits is complex and there are many factors that influence the final benefit amount.

Please contact the American Citizen's Unit at the Embassy three months before you are ready to retire. Your inquiry will be forwarded to the Federal Benefits Unit in Brussels and someone will contact you to take your claim.

To learn more about the various benefits that are available under the U.S. Social Security system, please go to www.socialsecurity.gov.

Mark Young

nobody home?

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• U.S. DEPARTMENT OF COMMERCE
www.doc.gov

• U.S. DEPARTMENT OF STATE
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• U.S. CENTERS FOR DISEASE CONTROL
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• LUXEMBOURG STATISTICS
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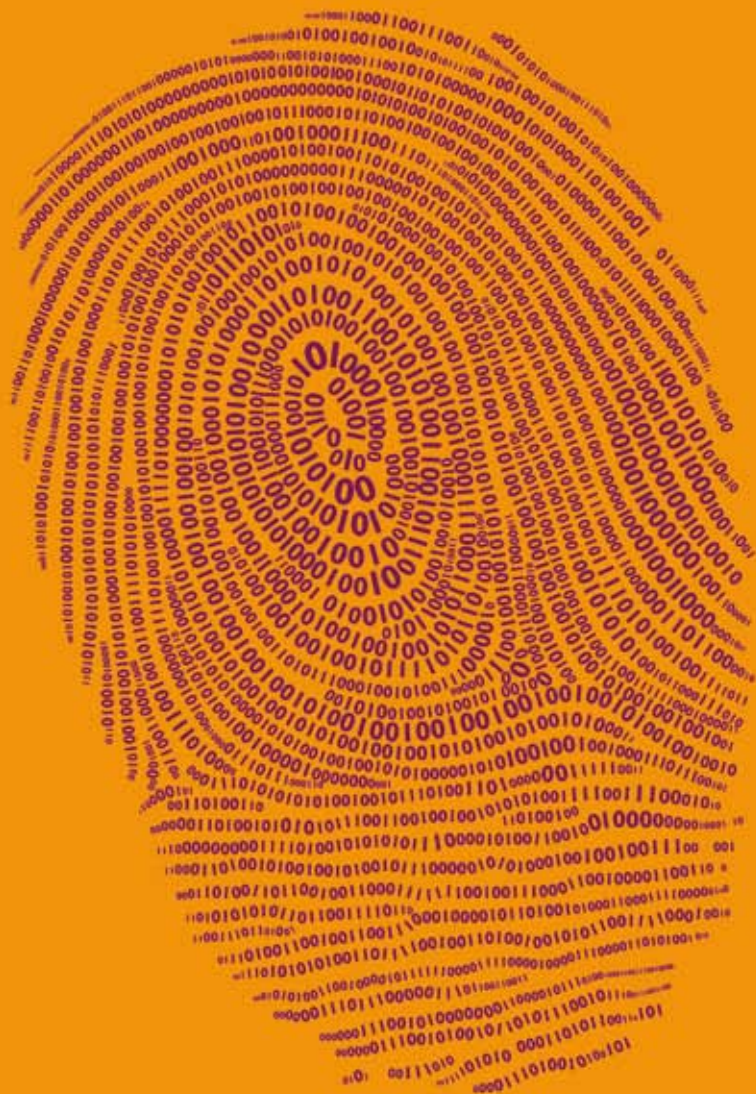
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Average consumption (l/100km)/ CO₂ emission (g/km): 9.7-6.5/233-172

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