



SPEAKING NOTES

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TOWARDS A EUROPEAN SMALL BUSINESS ACT HEARING ON 6 FEBRUARY 2008

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- Since the debate about a European Small Business Act was launched, things have moved quickly and the thinking has evolved. This is good as the quicker we improve the general business environment for SMEs the better for Europe, for growth, jobs and prosperity.
- We are happy that the European Small Business Act will focus on all sizes of SMEs and is intended generally to give a new impetus to EU and Member State activities in favour of SMEs.
- We have always been convinced that integrated policies in favour of SMEs, and implementation by public authorities and legislators of the "think-small-first" principle are the best way forward. A milestone in this respect has been the introduction of SME-specific priorities into the Growth and Jobs strategy and we should reflect whether in this context more SME specific targets need to be set in the future, in order to obtain stronger results.
- Where do we stand today: Europe is still less entrepreneurial than many other regions in the world, productivity growth per hour worked in the EU is low and expected to stay low, and European SMEs tend to grow much more slowly than their US counterparts.
- What are today's most important growth inhibitors for SMEs: still red tape and regulatory burdens, taxation, inflexible labour markets and non-availability of skilled labour or skills mismatches and lack of financing.

Consequently, we would like the future Small Business Act to catalyse more action in the following areas:

- Cutting administrative costs and ensuring that SME-specific impact assessments throughout the entire legislative process become a natural reflex and, even more importantly, are taken into account! The think-small-first principle too often seems to be more of a New Year Resolution: and thus easily forgotten.
- Making tax regimes across the EU more competitive: when considering reforms, governments need to look at all taxes paid by companies and related compliance costs, which are considerable. Reduced tax rates, VAT simplification and reducing obstacles to cross-border activities, progress in online filing, all these measures are needed.

E.g. in Sweden, corporate income tax, value-added tax, labour contributions and property tax are filed on one single form, thereby significantly reducing compliance costs.

- Increasing labour market flexibility through a variety of contracts, reducing labour costs and developing the right skills – e.g. engineer shortage is a real problem for many SMEs.
- Access to finance remains an issue. The financial needs of SMEs are at their greatest during the start-up and growth phases. In these situations, companies are often considered a high-risk investment and banks are more reluctant to provide financing. In spite of the growing importance of alternative sources of financing, many SMEs still depend to a large degree on banks and traditional loans.
- The integration of financial markets in the EU, the development of venture capital markets and facilitation of cross-border investments, the further development of innovative instruments for financing such as loan guarantees and mezzanine finance need to be pursued to provide SMEs with better and more varied access to finance. But also the micro-loan route should be strongly developed, as many start small.
- As Europe needs to become more entrepreneurial, a particular focus should be put on creating a more entrepreneurial mindset among young people. Mini-company programmes demonstrate how this can be done successfully, but their outreach remains limited. A systematic integration of entrepreneurship education into school and university curricula remains important.
- SMEs themselves need to develop their markets, domestically and beyond, and make sure they stay competitive. In the light of emerging economies, many European SMEs will have to innovate more and faster and a series of measures are needed to better support this (e.g. making progress on the Community patent).



- Europe's economic future will to a large extent depend on the innovation and growth potential of European SMEs and on further concrete progress made in the priority areas for action highlighted.
- Entrepreneurs welcome the continued emphasis the European Commission and national governments are putting on improving the business environment for SMEs. The SBA should give policy-makers a second wind, bring value-added and lead to concrete results. It should be more than a repackaging of what exists.
- When discussing the content of the Small Business Act in the coming two months in more detail, let us be bold: let us "think big" for European SMEs!
