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BUSINESSEUROPE Workshop on “Investment for Growth” 7 June 2013

OPENING REMARKS FROM MR MARKUS BEYRER, DIRECTOR GENERAL OF BUSINESSEUROPE

Ladies and Gentlemen,

As we all know, if we are to build a sustained recovery in Europe, we need the right financing in place. Not only for companies to fund investment in plant, machinery and in human capital, but to help build the communications infrastructure that is so important for long-term growth.

And it was for this reason that access to finance was one of the 5 key priorities we set out in our pro-industrial growth framework we presented to President Barroso at the European Business Summit last month. It essential if we are to increase industry's share of GDP from 16% to 20% as the Commission has now said we should do - a target that we support -and to in turn create 400,000 jobs in the industrial sector every year.

But before I set out what our BUSINESSEUROPEs broad priorities are in the area of access to finance, I wanted to firstly thank you all from coming today, and look forward to a very interactive session, where we can hopefully come up with some really concrete actions that we can ask the Commission to take forward to improve access to finance.

I'd like to thank all our speakers and to introduce the members of the first panel dedicated to investment challenges for European industrial companies.



- Firstly, our key note speaker, from the European Commission **Almoro Rubin de Cervin**. Mr Rubin de Cervin is deputy head of the unit in DG MARKT taking forward the green paper on financing the European Economy, and will be able explain to us the initial thinking of the Commission in this area, and the process for taking forward the Green paper.
- I'd also like to welcome **Hugh Morgan-Williams**, who is chair of BUSINESSEUROPE's SME Committee and has owned and run a number of businesses in the UK. Hugh will provide a perspective on the access to finance question from that of a small or medium enterprise.
- And finally, I'd like to welcome **Alain F. Berger** who is Vice-President of European Affairs and head of the Brussels office at Alstom. Alain will provide a larger companies perspective on access to finance, and no doubt also speak a little about Europe's future infrastructure needs.

BUSINESSEUROPE Priorities

As we are all aware, the Commission published its Green Paper on March 25th, and like many of you we have been developing our response. Our thinking is developing around 5 key themes under which EU policy makers need to take action:

- Firstly, we believe it is essential that Europe takes action to address the fragmentation we are seeing in financial market in the euro area by making real progress in implementing the banking union.

Despite support from the ECB, their surveys show that lending costs continuing to vary substantially across the euro area. While a small business looking for a one year loan will typically pay a little over 2% in Germany, Belgium or Austria, this compares to around 5% in Spain or over 6% in Portugal – if indeed the loan request is accepted.

So the EU must urgently finalise and implement the new single supervisory mechanism and progress towards a deeper European banking union, which includes strengthened resolution and deposit insurance schemes.

- Secondly, we believe, that we have to support bank lending by ensuring that prudential rules strike the right balance between increasing financial stability and supporting companies' need for capital to invest and expand their business.
- Third, given the context of tight bank lending I have just described, it is clear we need to develop alternative sources of finance and increase the role of capital markets in financing the real economy.



- Fourth, we need to ensure that tax systems support long-term investment.

As a broad principle this includes ensuring that tax systems treat different financing routes in a neutral way.

And it also clearly means the Commission withdrawing its proposals for a Financial Transactions Tax which its own analysis has shown will increase the cost of capital and could lead to a 2 percent fall in company investment.

- And finally, we need to make sure that we make the best use of public funds to leverage private investment, particularly for new infrastructure investment.

We have been strong advocates of the need to focus more of the EU budget on long-term investment, in particular on R&D through Horizon 2020 and on cross-border infrastructure through the connecting Europe facility. While the Council's proposal is far from ideal, it is at least an improvement on previous budgets, we now need to get quick a final agreement so that companies can really start developing their investment plans.

In terms of achieving greater leverage of EU funds, we believe a number of the schemes being taken forward by the European Investment Bank have a key role to play. In particular, the EU project bonds initiative must be accelerated, and once we have learnt lessons from the pilot phase, hopefully taken forward further.

Finally, we are pleased that the EIB's capital base has been substantially increased. But we also need to continue to work to ensure that the timely disbursement of funds is not overly hampered by bureaucracy. For instance, in the case of Portugal, over a billion euros are waiting for a green light – we must speed up this process.

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