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EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
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Comments on the **Draft General Block exemption Regulation**

UEAPME welcomes the “Draft General Block exemption Regulation (GBER)” presented by the European Commission on 24 April 2007, which is, especially for Crafts and SMEs, a very important part of the overall “State Aid Action Plan”. The new GBER covers (1) regional investment and employment aid, (2) SME investment aid, (3) aid for environmental protection, (4) aid for consultancy and SME participation in fairs, (5) aid in form of risk capital, (6) aid for research and development, (7) training aid and (8) aid for disadvantaged and disabled workers.

1. General remarks on the draft GBER

UEAPME sees significant improvements in the presented draft GBER compared to the existing block exemption regulations. It specifically welcomes:

- the integration of all existing BERs into a single set of coherent rules and
- the inclusion of state aid for risk capital and environment aid into the new GBER.
- Furthermore, UEAPME welcomes the GBER as an important contribution to better regulation and the reduction of administrative burdens for the different providers of state aid, which will also improve the accessibility of state aid programmes for crafts and SMEs.
- Finally, UEAPME welcomes the recognition of the specific situation and of the needs of SMEs as regards state aid by the European Commission.

UEAPME also welcomes the extensive consultation process started by the European Commission on its draft GBER, but regrets that the European Commission has not presented all the related state aid proposals, which would be necessary for the discussion of the current proposal. Therefore, UEAPME urges the European Commission to present as soon as possible its proposals for:

- notices on guarantees
- notice on reference rates

2. Specific remarks on the draft GBER

- **Article 1/3 – scope**

UEAPME welcomes the inclusion of specific schemes for **tourism activities** into the scope of the GBER.

- **Article 5 – transparency of aid**

This article identifies the aid measures seen as transparent and therefore covered by the GBER. This is especially relevant for aid in form of loans and guarantees. However, UEAPME is not able to assess if this proposal covers all the necessary measures without knowing more about the new notice on guarantees and the notice of reference rates.

SME finance depends more and more on public support for financing riskier projects like start-ups, innovation, expansion and business transfers. Public support is increasingly provided not only by classic loans (normal risk, normal securities), but also by junior loans and other forms of so-called “quasi-debt” mezzanine finance instruments. Therefore, the reference rates should provide a certain variation of risks and the calculation of the gross grant equivalent of guarantees should recognise these market developments.

UEAPME is aware that both may not be provided within this GBER, but wants to remind the European Commission to take these problems into account when the proposals for the notices on reference rates and guarantees will be elaborated.

- **Article 6/1/f – thresholds for notification**

A threshold for training aid of EUR 2 million per **training project** may be misused, especially by larger enterprises, which can divide large training projects into small pieces in order to circumvent any obligation for notification and may create on competitive advantage compared to smaller companies. UEAPME therefore proposes a more concrete definition of the meaning of a “training project” or the use of another parameter for the definition of the threshold.

- **Article 10/1 – investment aid**

Article 10/1/b allows aid for the acquisition of capital assets, “*where the establishment has closed or would have closed had it not been purchased*”. However, the most traditional form of “acquisition of capital assets” in the SME sector is the transfer of the business to the next generation or to former employees of the company. Such transfers have often difficulties in getting financed, especially when the company has already a low equity ratio, because banks assess new ownership with higher risks.

In order to avoid a situation in which such a company must be closed down before the transfer in order to get access to the needed aid, the transfer of an establishment to a new owner should also constitute a case for investment aid to SMEs.

- **Article 12/2 – SME investment aid – aid intensity**

UEAPME welcomes explicitly the increase of the aid intensity for SME investment and employment aid to 20% (SE) respectively 10% (ME) and to an SME bonus of the same

amount in many other areas. These measures are justified in order to create real incentives for such activities.

- **Article 15/3 – aid intensity for early adaptation of future Community standards**

Contrary to all other areas of SME aid, the proposal introduces a threshold for aid intensity for these measures of 15% instead of 10%. In order to make the whole GBER even more harmonised and coherent, UEAPME proposes thresholds of 20% (SE) and 10% (ME) also for these measures.

Furthermore, if new Community standards have to be implemented within a short period, which means shorter than the amortisation period of the existing production facility, even an in-time implementation may cause serious competitiveness problems and financial shortcomings for SMEs. Against this background, investment aid for adaptation within the first three years after the adoption of new community standards, as it is foreseen in the existing guidelines (E.1.1.), seems justified. Such a measure did not disturb competition in the past and SME have made positive experiences with such measures.

This problem must be solved first in the guidelines for environmental aid.

- **Article 16 – aid for energy saving measures**

If the eligible costs for such an aid has to be calculated on the base of extra investment costs minus any benefits from reduced energy costs (16/3), an aid intensity of 35% (45/55) will be in no way sufficient to compensate for market failure, because a company has to pay the remaining eligible costs only for positive external effects. Within the logic of the chosen economic approach, such a narrow definition of eligible cost demands aid intensity of 100%.

This problem must be solved first in the guidelines for environmental aid.

- **Article 29 – definition of general training**

The two examples given in Art 29/2 for the definition of training aid do not cover training provided or organised by business association, chambers or social partner (i.e. via specific funds) for their members.

Therefore, UEAPME recommends to add a third example, which could be something like “(c) it is organised by business associations, chamber or social partners for their members and the employees of their members.

3. Concluding remarks on the draft GBER

UEAPME has very much welcomed the new R&D and Innovation Guidelines, adopted last year. The most important elements for SMEs in this guideline are the new introduced support measures for innovation, because most of SME are not able to do their own R&D. Therefore, UEAPME regrets that the European Commission did not include such measures in its proposal for the GBER and urges the European Commission to include at least aid for so-called safe harbour measures, as defined in the R&D&I guidelines, for high-tech start-ups, for process and organisational innovation in services, innovation advisory and support services and the loan of highly qualified personnel.

UEAPME urges the European Commission and especially its Competition DG to consider our comments in the interest of SMEs in Europe during the ongoing consultation process and the negotiations with the Member States.