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EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL'ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

SME Policy message to the Portuguese Presidency:

Unleash the growth and employment potential of Europe's Crafts and SMEs

**Meeting of the UEAPME Board of Directors with
Mr. Manuel Pinho, Minister for Economic Affairs and Innovation
Lisbon, 11 July 2007**

The previous Portuguese Presidency in 2000 clearly showed its understanding of the specific problems and needs of small enterprises in Europe and its willingness to support the creation of a better environment for crafts and SMEs in Europe. During the last Portuguese Presidency not only the famous “Lisbon-Strategy” was born and adopted but also the “European Charter for Small Enterprises” was signed by the Head of Governments at the European Council in Feira.

Without ignoring the progress Europe has made since the year 2000, the business environment for smaller enterprises and the regulatory framework conditions for entrepreneurs are still not allowing Crafts and SMEs to use fully their potential for growth and employment. In neglecting the specific problems and needs of SMEs, Europe's policymakers become responsible for a slower growth, less employment and less welfare for European Citizens.

Therefore, UEAPME – the European Employers' Association of Crafts and SMEs – asks the Portuguese Presidency to **unleash the growth and employment potential of Europe's Crafts and SMEs**, by trying to find solutions in line with the needs of European Crafts and SMEs to the main SME policy dossiers on the agenda of the different Council formations.

UEAPME welcomes the priority given by the Portuguese Presidency to the finalisation of the “**European Reform Treaty**” in order to draw to a close a long lasting internal debate and to reassure the functioning of the European Union. [UEAPME sees the mandate](#)¹ decided by the European Council in June 2007 for the up-coming intergovernmental conference as a well-balanced document, which should not be re-opened under any circumstances.

During the next months the new governance cycle for growth and jobs (2008-2011) in the framework of the **Lisbon Strategy** will be launched. This includes the beginning of discussions on the new **integrated policy guidelines cycle**. From an SME point of view the current guidelines cover the main policy issues as regards growth and employment, but contain many shortcomings as regards the implementation of commonly agreed policies. Therefore,

¹ http://www.ueapme.com/docs/press_releases/pr_2007/070625_council_outcomes.pdf

UEAPME asks for continuity as regards the guidelines and proposes to focus more on the implementation within the next governance cycle.

Seven years after its endorsement, the **European Charter for Small Enterprises** suffers from an insufficient degree of ownership by many Member State governments, but also by the European Commission. UEAPME asks the Portuguese Presidency to use the mid-term review of “**Policies towards small and medium-sized enterprises (SMEs)**” to reassure the commitments towards small enterprises made 2000 in Santa Maria da Feira and to invite all Member States to involve representative SME associations in the implementation process of the Charter and in the Lisbon Agenda.

1. Towards an European Energy Policy

The Portuguese Presidency will deal with several policy dossiers in the framework of the establishment of a European Energy Policy. SME are affected in many ways by this policy. Therefore, UEAPME urges the Portuguese Presidency not to ignore the [needs of SMEs](#)² in dealing with the different dossiers:

- SMEs suffer from low or inexistent competition in the energy market and are often confronted with monopolistic structures on the supply side of energy. A functioning **internal market for energy has to become a reality**. This will not be the case without ownership unbundling between production, networks and delivery of energy and without an increase of regulatory power at European level.
- The European energy saving targets will not be achieved without deploying the energy **saving potential of SMEs**. In order to do this, SMEs need support-services (consultants, process management) and [better instruments to finance such investments](#)³ (i.e. financial guarantees, state aid measures).

2. Flexicurity – an integrated way to modernise labour market

The European Commission has adopted its communication on “Flexicurity”. [UEAPME sees in this communication](#)⁴ a well-balanced policy approach to facilitate the adaptation to change and the modernisation of the functioning of the labour markets.

Even if there will never be a “one size fits all model” of flexicurity, the proposed four main components together with a good functioning social dialogue can contribute to enrich national reform programmes and to break-up existing obstacles to reform.

- UEAPME expects from the Portuguese Presidency to adopt the common principles on flexicurity.

As regards the **pending legislative proposals** on labour market regulations, UEAPME asks the Portuguese Presidency to:

- solve as quickly as possible the question of “on call time” in the **working time directive**.

In this respect, the proposal of the Commission to introduce the concept of inactive part of on call time is a good solution. Furthermore, a 12 month reference period as the

² http://www.ueapme.com/docs/pos_papers/2007/070424_Energy_Strategy_final_ECOFIS.pdf

³ http://www.ueapme.com/docs/pos_papers/2007/070702_pp_StateAidEnvironment.pdf

⁴ http://www.ueapme.com/docs/press_releases/pr_2007/070627_flexicurity.pdf

general rule, maintaining the individual opt out and creating the possibility to have access to opt out through collective bargaining are seen as balanced solution, which would respect the needs of SMEs.

- evaluate the possibility to reactivate the debate on the **temporary agency work directive**.

It is essential for SMEs that the reference or equal treatment is either the user enterprise or the temporary agency. Furthermore, the directive should include a revision of national restrictions imposed on temporary work.

- find a compromise on the proposal for a directive for improving the **portability of supplementary pension's rights**, which really facilitates the mobility of workers without discouraging companies to offer [supplementary pension schemes](#)⁵.

Therefore, the directive should not apply to pensions rights acquired prior to its national transposition and both access criteria, minimum age (25 years) **and** vesting period (5 years) should be kept independently.

3. Taxation still is a main barrier to the internal market

SMEs in Europe have to face 25 different taxation systems. This situation causes prohibitive compliance costs and creates serious barriers to the internal market. Compliance costs for small companies are up to 200 times higher than for large enterprises.

UEAPME asks the Portuguese Presidency:

- to adopt the proposal of a “**One-Stop-Shop**” for VAT compliance alongside the other parts of the so-called VAT-package before the end of 2007, and
- to integrate the needs of SMEs in the work on a **common consolidated corporate tax base (CCCTB)**. This means that CCCTB must become obligatory for all incorporated companies, which includes avoiding a 28th (optional) system and establishments in more than one country as well as consolidation as a precondition to use CCCTB.
- Furthermore, UEAPME asks the Portuguese Presidency to deal with the Communication on reduced VAT rates (4 July 2007) and pave the way towards a permanent solution for **reduced VAT rates for labour intensive services** (Annex K, 6th VAT directive).

4. Environmental policy must be brought more in line with the reality of smaller enterprises

Many micro and small business in the EU still do not have a sufficient environmental policy in place. The activities of the EU in the environmental field should always take account of this reality.

UEAPME asks the Portuguese Presidency to:

- use the revision of the **Eco-Label Regulation** and the **EMAS** (Eco-management and Audit System) **Regulation** to simplify the Eco-Label criteria and the EMAS standard by making them easier and quicker to be understood; to reduce the bureaucratic costs of both systems and to provide better incentives for SMEs to use both regulations.

⁵ http://www.ueapme.com/docs/press_releases/pr_2007/070620_pensions_plenary.pdf

- respect the needs of the small but growing number of SMEs, which are included in the revised **Emission Trading Scheme Directive (ETS)**, by making the new scheme simpler, more predictable and more harmonised than the existing ETS. This should include a simplified monitoring process for installations producing less than 100,000 tonnes of emissions, and a provision allowing small companies to use the documentation provided by their energy suppliers to prove the emissions.
- avoid any specific quantitative targets as regards the **Waste Framework Directive** and to [reduce administrative burdens for SMEs](#)⁶, which have to deal with non-hazardous waste occasionally. Furthermore, the text should foresee an adequate involvement of all stakeholders, including SMEs, in the administration of the framework directive.

5. The Review of the policy toward SMEs has to strengthen the case for SMEs

The European Institutions will review during the next months a communication on “**a modern policy towards SMEs**”. This revision should ensure a better compliance with the most important policy aims of Crafts and SMEs: **better regulation** and **simplification**, **independent business impact assessment** and a real “**think small first approach**”.

In addition to these policy-making principles towards SMEs, the review should be used to strengthen the SMEs case in a number of policy dossiers in which the impact on smaller companies has not been thoroughly assessed in the past. Therefore, UEAPME asks the Portuguese Presidency to support SMEs needs in the following policy dossiers:

- The “**green book**” on **consumer protection** from the European Commission includes some perilous ideas, which will not only harm SMEs, but also damage the internal market and consumers in the long run.

Individual products and services are the strength and the characteristic of crafts and SMEs. Such products also require **individual contracts** and further limitations for such contracts are neither in the interest of the client nor of the company.

Guarantees and liabilities provided by retailers or installers of products have to be in line with the guarantees and liabilities given by the producers of the commodities. Anything else would endanger the whole retail sector and many craft sectors.

The right for consumers to **present their claims** not only to the retailer, but also **directly to the producer**, would discriminate against EU producers and especially against smaller producer due serious additional administrative burdens.

- The “**Package on Marketing of Products**” is a clear case where the “think small first principle” has been ignored. The whole package is oriented towards the situation and the needs of large producers and mass-products makers.

UEAPME asks for the exclusion of products which are assembled for manufacturers’ own use in the course of their professional activity or the ones that are incorporated in a final product. Unique and small series productions should be exempted from CE marking procedures. All SME or small series clauses should be included in the framework regulations. This would avoid the burden for SMEs to fight for their case in every specific regulation based on this framework.

- The **full implementation of EU legislation** in-time and without any gold-plating is a precondition for fair competition. Therefore, the Member States have to improve their

⁶ http://www.ueapme.com/docs/press_releases/pr_2007/070629_waste_council.pdf

commitments towards EU legislation on which they have agreed. For SMEs, a full and coherent **implementation of the services directive** is of the utmost importance.

- UEAPME fully supports the recommendation for a **European Qualification Framework** (EQF) which should be adopted by the Council and transposed at national level on a voluntary basis. Moreover, the Portuguese presidency should give priority to the validation of non formal and informal learning, which is an essential topic for small businesses.
- The SME policy review should reconsider the **financial instruments of the CIP** with the aim to concentrate its limited resources mainly on the development of new financial products for SMEs finance, especially **new instruments for risk-sharing products** in the field of business start-ups, innovation and business transfer.
- UEAPME fully supports the [simplification of the 4th and 7th Company Law directive](#)⁷ in order to simplify and harmonise the existing accounting standards for SMEs. As regards **IFRS for SMEs**, we do not see the need for any obligatory new standards for the SMEs, since such new standards are not requested by the main users of SME accounts.
- The Portuguese Presidency should make the **fight against counterfeiting a priority** at political level. The creation of anti-counterfeiting cells in all Member States is of the utmost importance in order to increase the level of seizure and should be done together with awareness raising campaigns for SMEs.
- Crafts and SMEs play an important role for the regional development of regions. This is also true for urban development. [UEAPME suggests to recognise the role of small enterprise in the up-coming](#)⁸ “**Action Plan on Urban Development**”, a follow-up of the “Leipzig Charter on Urban policy”, which widely ignores the role of SMEs in urban-policy.

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⁷ http://www.ueapme.com/docs/pos_papers/2007/0702_pp_accounting_rules.pdf

⁸ http://www.ueapme.com/docs/press_releases/pr_2007/070525_leipzig.pdf