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EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
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Position Paper

Crafts and SMEs: keys for the success of urban policy

I. General Remarks

UEAPME welcomes the adoption of a “Charter on Sustainable European Cities” at the Leipzig informal meeting of Ministers for Urban Development and Territorial Cohesion held on 25th May 2007. The Charter sets up common principles and strategies for urban development policy. In this position paper, UEAPME would like to highlight some areas in which progress is needed.

UEAPME greets Member States’ commitment to initiate a political debate at national level on how to integrate the principles and strategies of the Leipzig Charter. However, UEAPME deplors the lack of consideration for SMEs in the text, and urges the EU Member States to properly take into account the role and needs of small businesses when formulating concrete proposals on the implementation of the Leipzig charter in the coming months under the Portuguese Presidency.

Despite the fact that the document acknowledges several times the importance of the involvement of economic actors and stakeholders for the setup of an integrated urban development policy, crafts and SMEs are not mentioned at all.

For this reason, UEAPME would like to stress that crafts and small businesses are the cornerstone of urban areas’ social and economic structure. Fostering their presence and understanding their importance is the key to achieve a successful urban policy.

UEAPME strongly regrets that it has not been consulted in the preparation of the text, which shows deficiencies in the understanding of the economic tissue in urban areas. Despite its dissatisfaction on this point, considering the importance of Crafts and SMEs in urban areas, UEAPME would like to provide its input into the drafting process of future European initiatives in the field, such as the forthcoming proposal for a urban development action plan and the elaboration of a community urban policy. Moreover, UEAPME would like to stress that SMEs and Crafts associations at regional and local level are willing and ready to contribute to the development of urban areas. It therefore urges local authorities to include them into the elaboration and the setting up of all related policies.

Greater clarity is needed on the chapter dealing with “strengthening the local economy”. Measures to secure the economic stabilisation of urban areas, particularly in deprived

neighbourhoods, must not overlook the role of SMEs and should facilitate both their continued existence and the start-up of new businesses, which by definition begin as small enterprises.

UEAPME would like to underline the importance of the subsidiarity principle in the context of further discussions of urban development topics. In the future the development of European responsibility in the area of urban policy should be taken into account, while the implementation of policies should be discussed at national level. It is particularly important that the local administration's scope of action is maintained, considering that it is at this level that problems can be better identified and solved. In the medium-run, no regulations concerning the introduction and implementation of an integrated urban policy should be derived from the generally welcomed initiative of the previous Presidency of the European Council.

Therefore, it is essential for the success of urban policies that Crafts and SMEs representative associations are included in all consultations and decision phases.

II. Specific Remarks

Some introductory considerations:

It is important to highlight the fact that in the next 50 years more than 50% of the world's population will be resident in cities and metropolises. This will require a more accurate commitment from national and local authorities, social partners and interested stakeholders. For this reason SMEs and craft should be involved and consulted by the European institutions (to gain a proactive role in this field.)

In the future cities and metropolises will continue to attract more and more new inhabitants, since they represent a growth opportunity for all. Nevertheless, a risk of collapse still exists. Nowadays cities are considered mainly as consumption locations (in terms of energy, transport, construction of buildings), while they need to be driven to more sustainable models. Cities must be considered as an added value for productive and economic locations. SME associations could also contribute to fight against social exclusion present in decentralised city areas.

UEAPME considers it of the utmost importance to set up a new concept of "polycentric city", smoothing borders among city centres and suburbs, in which an integrated network of economic and social actors guarantees a better and sustainable quality of life.

European cities are characterised by common features, potentials and development problems despite their difference. The European level can therefore function as an important forum for discussions and exchange of best practices in the area of urban development. Debates at European level can serve as a mean to raise the awareness of urban development problems in individual states, encouraging them to develop targeted programmes for cities on the basis of existing European funding.

The Leipzig Charter contains two main priorities on which UEAPME would like to comment:

1) *Making greater use of integrated urban development policy approaches:*

UEAPME agrees on *integrated* urban development policy approaches, for which the involvement of all stakeholders and in particular of economic actors is considered to be “essential”. UEAPME supports as well the recognition that all dimensions of sustainable development (economic, social, environmental) should be taken into account at the same time and with the same emphasis. It is important to encourage cities to cooperate more closely both with each other and at European level.

Concerning the specific strategies listed in the document under this chapter, UEAPME would like to put forward the following remarks:

- “About the creation of high-quality public spaces”:

UEAPME agrees on the necessity to develop a coordinated “*baukultur*”, where State, regional and local authorities as well as citizens and businesses concur to build up a process of planning and construction. UEAPME believes that Craft and SME organisations must influence local, regional and national authorities to take integrated urban planning into serious consideration. Urban sprawl with remotely located shopping centres and workplaces must be avoided as much as possible.

- “Modernizing infrastructure networks and improving energy efficiency”:

UEAPME recognises the importance to encourage investments in order to promote a well-balanced development not only in urban but also in rural areas. The first concern of a small enterprise is to survive by maintaining competitiveness. SMEs suffer from inefficient competition in the energy sector and need a completion of the internal market. SMEs play also an important role as service providers to increase energy efficiency of buildings (construction and renovation of buildings) and/or to improve their energy management.

- “Proactive innovation and educational policies”:

UEAPME regrets the absence of references to the fact that small businesses play an important role on knowledge transfer, specifically to new generations.

2) *A special attention to deprived neighbourhoods within the context of the city as a whole:*

UEAPME believes that it is important to pay special attention to deprived urban areas, and thinks that it would be useful to improve dialogue between residents and economic actors to find a tailored solution for each case. In addition, it is important to remind that crafts and SMEs create employment in different areas. It is often thanks to them that specific problems linked to social exclusion and segregation are reduced.

UEAPME supports the approach of providing support for the development of the local economy in order to stabilise deprived quarters. The local potential can thereby be exploited. Skilled crafts can play a significant role in the development of local economies, for instance through the inclusion of traditional craftsmen techniques in towns in rural areas, and the involvement of ethnic economies in cities. A sustainable development can only be achieved if entrepreneurial action is really initiated on the spot.

- “Pursuing strategies for upgrading the physical environment”:

UEAPME recognises the importance of increased investments in order to promote a well-balanced development not only in urban but also in rural areas. A better coordination of public and private funds is indispensable; houses in city centres are much more expensive compared to buildings located in other areas. SMEs are important actors that can concur to revitalise cities and territories. Cities attract many people and maintain a vivid social life.

- “Strengthening the local economy and local labour market policy”:

UEAPME agrees on this subchapter even if a more specific reminder of employment and training opportunities given by SMEs should be included in the document. UEAPME believes that all levels of government (local, regional, national and European) should be involved in the development of cities. Therefore it is necessary to improve the coordination of the sectoral policy areas and develop a new sense of responsibility among citizens and public authorities.

- “Proactive education and training policies for children and young people”:

SMEs can provide training. A workable policy for the territorial development in urban areas must include the involvement of human capital in order to reach a better harmony between economic partners and the regions where they are located. Through flexibility, plurality, entrepreneurial thinking and inventiveness small enterprises and crafts have helped to create clear lines of co-operation and understanding between different groups within society-ethnics, nationalities, social ranks, sexes, young and old, and so on especially in urban areas. It is though necessary to underline that training (i.e.: apprenticeship¹) within crafts and small enterprises help young people coming from deprived areas to learn a job and to get in touch with different cultures and local traditions. Young people can be easily integrated into the economic life in urban centres.

- “Promotion of efficient and affordable urban transport”:

UEAPME believes that transport is a crucial factor of our economic and private lives. It enables the division of labour and the provision of goods and services to end-users. SMEs are particularly affected by problems in urban transport, but also by premature measures aiming at limiting urban transport without weighing up all economic consequences. Many small manufacturers still maintain production in densely populated areas. In these areas, one can also find most of the retail shops and service providers. In other words, a significant part of the economic activity of urban areas depends on SMEs. In fact, they guarantee life style and well being for urban dwellers in sharp contrast to large faceless shopping centres in suburban areas. The transport business is usually held liable for damages caused by delayed delivery to the client. Hence, SME transport operators may be obliged to pay fines. It is important not to forget that many of the clients in the densely populated areas of cities are also craft and SMEs (manufacturers, retailers, service providers).

It is therefore necessary to pay attention to the relation between businesses and the transport sector within the discussion of sustainable cities. Unlike passenger-transport and the long-distance transport of goods, the individual transport regarding SMEs within the city can not be replaced by public transport, mass transport or logistics-systems. Mobility is indispensable when it comes to the supply of the population and safeguarding the enterprises' means of

1. ¹ apprenticeship process is based on an alternating training mode with a great emphasis given on learning by doing

subsistence. Cities must have the possibility of independently deciding about locally adapted transportation systems.

III. Crafts micro enterprises and SMEs in city areas

UEAPME would like to underline that the balancing (harmonisation) among regions depends on the presence of local economic activities carried out mostly by crafts and SMEs. UEAPME regrets that the document dedicates particular attention only to urban deprived areas and does not declare the importance of strengthening businesses in urban areas in general.

In the context of the discussion on the quality of European cities, the basic principle of mixed use should be stressed as much as possible. The presence of small- and medium-sized enterprises from all sectors within the city centre is a crucial element of the character of a European city. In addition SMEs offer consume close supply-possibilities. Accordingly, they should form a substantial part of the Leipzig Charter and its follow-up documents.

Today, two thirds of small enterprises are located in urban areas, many of them in or close to city centres. However, we observe a phenomenon of increasing prices for land and rent forcing a growing number of small businesses to leave the inner cities and, hence, increasing the distance between them and their clients. This tendency should be reversed, it is essential to maintain the diversity of crafts enterprises according to clients' requests in order to keep the quality of cities.

SMES are one of the key elements that characterise the identity of cities, in particular city centres. City centres are the core of urban areas, their most vivid and important element. City centres provide identity to urban areas and constitute the main point of attraction. Very often city centres need to be revitalised. City centres need to be re-dynamited and SMEs are indispensable for maintaining/creating a new city approach. SMEs animate city centres thanks to a wide range of products and services delivered to clients and enterprises.

However, there are several problems linked to city centres: houses located in central areas are often too expensive, the traffic is very heavy due to narrow streets, and we observe the necessity of taking in consideration the specific needs of some economic activities.

For these reasons, craftsmen and micro enterprises have problems to operate in city centres. In addition there are often restrictions concerning economic activities in city centres. For example shops located in city centres have to be attractive and integrated into the urban area. Health and safety rules are difficult to put into place since the restoration of old buildings is very expensive.

For this reason SMEs are increasingly being forced out of the inner-city areas. The mixture between living and working should therefore be seen as a substantial quality of a European city. This balance should be clarified as an important aim of economic- and ecologically sustainable urban policy, but to fulfil this aim space for craft and SMEs in inner cities has to be provided. Furthermore, the regulatory framework for the protection of SMEs in cities must be improved, in particular the increasing burden created through the existence of construction, transport- and environmental-law obligations. These make the resettlement and location development of SMEs continuously more difficult. In this area, a change of policy at European level is urgently required to secure the aim of sustainable urban development.

Several measures should be considered to help craft and SMEs stay in inner cities: in annex some proposals and recommendations proposed by UEAPME's members.

IV. Conclusions

No urban policy is successful if it fails at keeping cities alive and attractive for new entrepreneurial activities. UEAPME calls on Member States to come up with SME-friendly and effective implementation measures on urban development policy. Crafts and small businesses should be more considered by Member States and local authorities as part of the policy process needed to protect, strengthen and further develop European cities. For this reason, we take this opportunity to remind that Craft and SMEs active in the urban areas must be included in the development of this document on urban development.

UEAPME expects that the Portuguese Presidency, as well as the European Parliament will reinforce the urban development document and dedicate more attention to the needs of crafts and small businesses.

UEAPME suggests to promote a dialogue platform on the implementation of the Leipzig Charter and on urban policies geared to SMEs with the EC, National authorities, the European Parliament, the European Economic and Social Committee and the Committee of Regions.

ANNEX 1. PROPOSED MEASURES AND POSSIBLE ACTIVITIES

- **Involve representative SME organisations in the elaboration of urban policies:**

- UEAPME is at European Commission's disposal to implement urban policies through SMEs associations present at National/regional/local level
- National/regional/local authorities should work together with SMEs associations to build up a common urban policy
- SMEs could be involved in the elaboration of new services devoted to citizens and institutions such as energy production, water, waste recycling and so on.
- SMEs organisations could have a more active role in urban planning, in particular in historical and city centres since many SMEs provide different kind of services

- **Set up a real estate and land supply adapted technically and financially to the needs of SMEs**

- Use urban planning mechanisms to provide sufficient space for craft and SMEs in inner cities at a reasonable cost
- Reserve to crafts and SMEs a stock of adapted premises in the core of city centre, especially those already used by them or bought using the right of pre-emption
- Encourage the participation of craft enterprises in semi-public companies;
- Develop a "City Observatory on property and land speculation" and fight small and large land abuses

- **Better financing for policies aim at developing small businesses in town/cities**

- In the field of company real-estate, the setup costs for businesses should be reduced (in particular concerning rents) and offices tailored to crafts activities should be built;
- Promote investments in the field of energy management and reduction of CO2 emissions such as tax breaks for "clean" company vehicles;
- Influence the EIB to better support financial initiatives such as Jeremie and Jessica, which are SMEs tailored made.
- Use structural funds for measures and activities conceived in particular to SMEs in order to improve financial means such as microcredit and Guarantee schemes);

- **Set up and implement better policies promoting public transports**

- Promote an efficient public transport system
- Revise the norms that regulate the use of sidewalks for economic activities purposes (access, delivering, parking, etc.) to ease up the loading and unloading merchandises;
- Develop sustainable labour policies in order to increase alternatives such as telework and foster the role of Public Private Partnerships based on SMEs for the supply of added value services to citizens in particular in peripheral and rural areas

- **Put SMEs at the heart of urban policy**

- Facilitate exchanges between crafts and universities.
- Support a European network on SMEs in urban areas.
- Establish an "EU City Network" dedicated to the exchange of good practices (particularly where SMEs are involved) and the development of policy models and management systems

- **Assist SMEs to underline their specificities in the framework of new regulations**

- Give more visibility to SMEs activities within community policies, through the setup of a performance indicator which could measure the diversities among SMEs present in cities
- Highlight the intermediary role of representative SME organisations and sectoral organisations

- **Create fiscal incentives**

- Communal tax revenues generated by big shopping centres could be diverted into a fund that is used to support crafts and SMEs in city centres
- “Intelligent” fiscal incentives should be foreseen for sustainable SMEs located and acting in city centres (low emission, using appropriately public infrastructures and services, transmission of enterprise property etc.);
- Selected incentives to private investment and simplification procedures for new investors in SMEs clusters in city centres and/or peripheral areas