

2019/2024

POSITION PAPER ON PRIMARY TARGETS FOR
SMALL & MEDIUM-SIZED ENTERPRISES

A better deal for SMEs



#HELPSMESBUSINESSEASY



Ivan Stefanec MEP

President

SME Europe of the EPP

SMEs form the power brokers of the European economy. They provide employment, make a significant contribution to GDP, and ensure social inclusion as well as regional development.

With this regards, **we should not forget the role of the family owned and run SMEs in educating new generations and preserving values and unique traditions.** Just as every other sphere of today's society, the entrepreneurship is also experiencing turbulent times. Massive digitisation is on its way, new skills are needed and technology is changing every year. Large enterprises can promptly adapt to these changes and remain competitive. But small and medium-sized businesses often do not have the financial or human resources to keep up with these changes.

I see the biggest challenge for SMEs and SME Europe for over the next five years in the crucial process of preparation for the digital changes that are yet to come. **European and national legislation needs to be assessed in much more detail in terms of the impact and benefits it can bring to small businesses.**

We must not only create conditions for entrepreneurs to have access to profitable and secure loans or trainings but **we must encourage them within the process, so they have the courage to face new challenges and to make use of all the opportunities that the European Union is offering** .

The period of 2019 to 2024 will be extremely important for entrepreneurs. We expect the completion of the Digital Single Market and the creation of new tools for the growth of the European economy. It will also include fiscal measures. In addition to combating cross-border tax evasion and speculation, steps must be taken to ensure that international tax transactions within the European Union are as free of bureaucracy as possible and understandable or rather easy even for the smallest companies. We must encourage the movement of capital, goods and services between Member States, thus achieving a truly European market and encouraging local production. I believe that, as I said before, **SME Europe will be a key player in drafting European legislation and will be able to help our entrepreneurs grow, innovate and break down unnecessary barriers.**



The EPP is and ought to remain a driving force of the European Union. Tomorrow's EU is for us a union of values and principles, which in the dynamic circumstances of the 21st century, with its unprecedented challenges, wants to persist in promoting **the European Way of Life**.

The highest achievement of Europe, having had a troubled history for centuries, is the European Union, a sui generis construction in today's world. Contrasting to the tendencies of the Eurosceptic politicians and populist parties, **the EU needs to be improved and further developed, not diminished and weakened**. The successes we have achieved for our citizens need to be cherished. One thing is clear, if we want to persevere and succeed in the future, we need the support of our citizens.

At the May 2019 European Elections, our citizens have shown us that they support the European Way of Life. **From an economic standpoint, this entails a strong support for SMEs**. SMEs and micro-businesses are the most direct way in which citizens express themselves on the entrepreneurial front and these should be the most favoured enterprise in the European economy; SME Europe of the EPP remains a strong ally in this respect.

The Position Paper «A better deal for SMEs» embraces a truly wide array of topics precisely because **SMEs are often found in all economic domains and many different European regions**. Europeans have long had a tradition in being proactive entrepreneurs, given that even since the Middle Ages, guilds have represented a central economic endeavour. Also today, we see much ambition for SMEs in the traditional areas of the economy, be it in agriculture, industry and commerce; however, there is also a push for innovation and progress in the new-era sectors, including digitalisation, artificial intelligence and creative industries.

In order for SMEs to thrive, they need a suitable regulatory environment, with legal certainty and a perfection of the Economic & Monetary Union, of the Internal Market, the Digital Single Market and above all a simplification of bureaucracy and cutting of red tape; these are therefore our mission statements!

Indeed, SMEs are a horizontal topic. Knowing this, we propose to continue the efforts to support our entrepreneurs with a key leading philosophy: "Think Small First".



Iuliu Winkler MEP

First Vice-President
SME Europe of the EPP



Angelika Winzig MEP

Vice-President
SME Europe of the EPP



SMEs are a crucial part of our domestic and international success. Our economic growth is driven by twin engines — the stability and success of the entrepreneurial middle class, and the ingenuity and drive of entrepreneurial thinkers and inventors. Their work, ideas and contributions make the EU an economic force and a beacon of stability in uncertain times by creating jobs and prosperity.

For it to stay this way, we have to step up and strive for **a better deal for SMEs. That starts with cutting red tape and unnecessary regulations and in doing so, giving back time to entrepreneurs to focus on their core competences.** We have to focus on investing in R&D, education and innovation and promote SME efforts in these areas. Above all, we have to continue to foster a business-friendly environment that has the values of the social market economy at its core - a system created by freedom and responsibility based on the concept of genuine performance-based competition. In doing so we will strengthen our competitiveness as an economic player and be able to harness the full potential of SMES so that together, we can find solutions for the big challenges we are facing.



Jörgen Warborn MEP

Vice-President
SME Europe of the EPP



Entrepreneurship is one of the broadest public interests. It is with successful businesses that people, jobs and tax revenue can grow. With **more free trade and exchange of goods and services**, the European community is strengthened. Increasing trade and creating better terms for entrepreneurs is the only way to secure wealth for all of EU citizens.

Entrepreneurs are the heroes of today's society, heroes who develops new products and services and provide for themselves and others. **We have to make it easier for them to grow instead of imposing unnecessary rules that are expensive and difficult to comply with.** Competitiveness for businesses is determined by both national legislation, and by decisions made within the EU. In order to strengthen competitiveness, the work to harmonise the internal market must be intensified.

We need to step up our work on regulatory simplification and focus on objectives that makes the European business climate as good as possible. It is about optimising the EU regulations so that they enable more growing businesses and thus more jobs in a smart and cost-effective way. **All regulation needs to be necessary, proportionate and effective.**



The path to long-term economic prosperity in Europe goes through increase of the citizens that possess the necessary skills and mindset to risk, innovate and create. Entrepreneurship could be nurtured and supported. **We need to boost the entrepreneurial spirit in Europe by reinventing our education, introducing competence-oriented processes, encouraging cooperation between education institutions and business and making sure there is enough funding and stimuli for this transformation.** Besides skilled people, SMEs must have **stable and diverse options to finance innovative ideas and expansion projects.** Completing the Capital Markets Union means more venture capital but also less red-tape for European business, which is why it must be high on the political agenda.



Eva Maydell MEP

Vice-President
SME Europe of the EPP



Claudia Monteiro de Aguiar MEP

Vice-President
SME Europe of the EPP

Despite the recognised importance of SMEs to the EU's economy, they still face considerable obstacles. That is why SMEs have to be at the heart of who legislates. **The European Union plays a key role in finding solutions for reducing the asymmetries between enterprises in different Member States in order to introduce a fairer and more equitable competition.** In Tourism, for instance, I consider the use of big data to answer today's challenges as a matter of prime importance. Hence, I have submitted a proposal to the European Commission for a study that enables the creation of **a European uniform metric for the sector by defining the concept of Smart Destinations.** Also in the previous legislature, the European Parliament, based on a proposal from the EPP group, approved an unprecedented **budgetary line for tourism for the next multi-annual financial framework 21-27, of 330 million euros, which, if implemented, could be fundamental for innovative SMEs.** Lastly, the access to research and development centres, in close cooperation with universities, is crucial for the SMEs, as it is the access to the digital market and new sources of funding, for expanding the range of solutions available, so far confined, in most cases, to the traditional banking system, without access, for example, to the capital market. With more valuable information and thorough funding, we can have more efficient and sustainable-managed companies and destinations. This entails, **reducing the negative effects of mass tourism by improving the quality of life of residents and, simultaneously, enabling new experiences adapted to the visitors.**

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Andor Deli MEP

Board Member

SME Europe of the EPP



In the past 8 years in Hungary more than one million new jobs have been created, the economic growth has doubled and the state finances have been stabilised. Hungary has lowest unemployment rate in the European Union. SMEs and family businesses played a key role in this success. We as European lawmakers have a responsibility to create simple rules for SMEs, reduce administrative burdens and unnecessary bureaucracy, thus we could ensure our future and a prosperous future for our businesses in the turbulent global competition.

Supporting SMEs has always been high on the EPP's political agenda. I am proud of being part of the team of MEP's and enthusiastic professionals who dedicate themselves to the success of European SMEs.



I was born into an SME family. In my break from politics I had my own business for eleven years. That is why I am dedicated to strengthen the innovative dialogue between SMEs all over Europe and in the European Parliament. SMEs are the backbone of European culture and economy.



Pernille Weiss MEP

Board Member

SME Europe of the EPP



Georgios Kyrtzos MEP

Board Member

SME Europe of the EPP



A typical entrepreneurial mindset is one of the biggest assets the European continent has in comparison to others. Entrepreneurs create jobs and competitive innovation. It is unto us to create a framework in which entrepreneurship can thrive. I want our SMEs across the EU to know they are appreciated and important for Europe and that we work hard to give them the best possible conditions for growth.



Growth can only be achieved hand in hand with the private sector. Within this, SMEs are the main agents for activating the economy and generating employment and progress. The support and promotion of the creation of new companies through entrepreneurship and innovation programs should be a priority for the agenda of the coming years. Recognizing the value of innovative ideas is the axis of the construction of the future, making SMEs the tool for strengthening and repositioning the European Union in the global economic and commercial landscape.



**Isabel Benjumea
Benjumea MEP**

Board Member

SME Europe of the EPP

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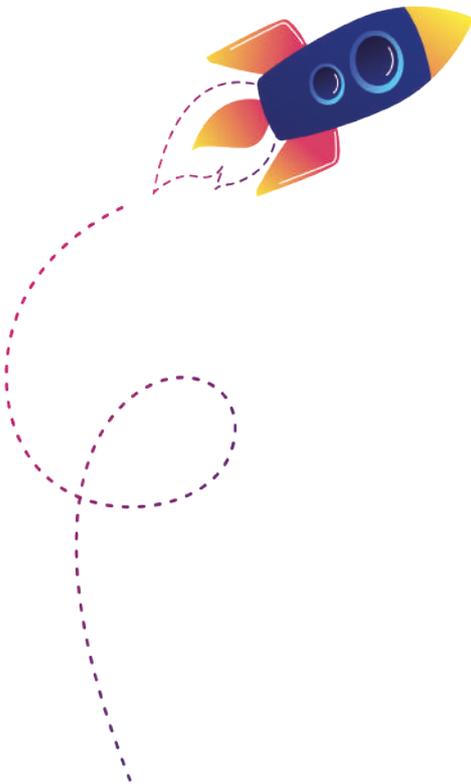
**Creative
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We aim at driving SMEs to growth

The purpose of SME Europe of the EPP (Small and Medium Entrepreneurs of the European People's Party) is to shape EU policies in a more SME-friendly way. SMEs are the power brokers of the European Economy as it is especially them who create sustainable jobs, growth and prosperity. They are the basis for a social market and sustainable future.

As a pro-active organisation within the political network of the EPP, we aim at bringing more entrepreneurial topics into the European political agenda. The interests of SMEs are best served when market mechanisms can freely operate.

This Position Paper would not have been possible without the generous support of numerous organisations, friends and partners who made research and data available to SME Europe. We would like to thank them all and wish you a thoughtprovoking read.



SMEs & Industrial Policy

A robust European economy is the basis for social peace, innovation and political power, making it a global anchor of stability. European SMEs are essential to the European economy as they represent 99.9% of the companies, which are responsible for over 60% of the employees and about 50% of the tax contributions. Yet, only a healthy overall economy, with functioning supply chains and a social market economy, will be able to work in a social, sustainable and environmentally friendly way.

4 'MUSTS' FOR A BIG-PICTURE THINKING

- There must be a strong industrial strategy for Europe with a focus on SMEs and their value chains.
- The burdens on SMEs from the various challenges such as digitalisation, climate change, bureaucracy, taxes or world trade must be seen as a whole. Only then it results in a truly sustainable European economic policy in terms of jobs, social justice and climate protection.
- The Small Business Act must be updated to the new challenges and needs of the future.
- Europe must invest in Start-ups and Scale-ups and significantly improve their conditions for growth.

SMART LEGISLATION & BETTER REGULATION

- SMEs to have a clear legal framework and understanding of local regulatory requirements.
- EU law to be simplified and better enforced to reduce administrative and financial burdens (smart regulation).
- Reduce internal market barriers and bureaucracy
- Apply the "Think Small First" principle systematically.
- Conduct an SME-friendly check before starting new policy initiatives.
- Base legislation on facts, evidences and legal proof

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- Adopt a problem-solving approach leaving enough flexibility for innovation and growth.
- Align development and promotion of a European Legislative framework with scientific progress and adapt it to the new business models.
- The principle of “same business - same risk, same rules and supervision” to be reflected in every regulatory framework.
- Complete Single Market for all goods and services.
- “SME friendliness” should be a higher priority on the level of legislation. The SME - Test must be carried out on every legislative proposal. Additionally, the impact on innovation and competitiveness must seriously be regarded just as much as alternative regulatory options. Impact assessments should be improved, and business feedback should be given serious consideration in consultations.

MAKE EUROPE THE CONTINENT OF MID-SIZED CHAMPIONS

- Promote a new definition of Small and Mid-sized Companies that compromises the specificities of all industries (neither the number of employees nor the size of annual turnover has been adapted to inflation rates or sector-specific factors in the past ten years).
- Make Europe the continent of Mid-sized (global hidden) Champions.

SUSTAINABLE ECONOMY NEEDS STRONG REGIONS: ACTING LOCAL - THINKING GLOBAL

- Modernise European Regional Policy and Cohesion Policy.
- European cross-border Cluster Regions stand in need of more promotion and support.
- Local SMEs are key to prosperity of rural areas, helping to stop brain drain and the ageing of the population in villages and small cities.
- Develop Digital Growth Strategies in the EU Regions; helping local SMEs to enter new markets and gain new sales channels.

Research & Innovation

Putting technology at the heart of the European future means empowering Industry and European Small and medium-sized enterprises (SMEs) on a European scale, to solve global challenges and take chances for sustainable growth. SMEs are facing particular challenges in the international race to innovate. In order to compete against large companies, SMEs must partner up with research institutions that put the focus of their research and development on the needs of these smaller companies and provide results that can subsequently be developed into products and services. However, SMEs are usually not able to finance this research by themselves.

European SMEs clearly perceive a net positive impact of IP rights on their business. However, the current fragmentation and high costs of obtaining patent protection in several states can be prohibitive. As a result, SMEs often end up with no effective protection of their inventions in Europe or with protection only in a very small number of countries, which makes it difficult for them to recoup investments, gain access to capital, join partnerships, enter into licensing agreements, and alike. Moreover, the fragmented litigation system makes it practically impossible for an SME to cope with parallel litigation in multiple European jurisdictions, be it as a plaintiff or a defendant, yet there are positive developments under way: the Unitary Patent (UP) and the Unified Patent Court (UPC) will improve the environment for SME innovation in Europe, by substantially reducing the costs of obtaining broad patent protection, and by enabling SMEs to litigate at European level at a more affordable cost and with more legal certainty.

THE COMPETITIVENESS OF SMES THROUGH RESEARCH & INNOVATION

- The EU has a vital role to play providing a R&D framework that facilitates and incentivise innovation, making sure scientific developments can be pursued and turned into solutions and advice for European citizens (e.g. nutritional advice or saving energy).
- Funding in basic research plays the long game for future payoffs

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- Ensure a high SME participation in the Research Framework Programme.
- Ensure fair remuneration for Researchers.
- Promote public, private partnerships in healthcare, digitalisation etc.
- Strengthen cross-border cooperation.
- Implement administrative simplification in connection with participation rules and explore further possibilities for simplification.
- Promote and protect high and predictable Intellectual Property Rights (IPR) and incentives in the EU.
- Acknowledge, promote and encourage incremental innovation.
- Harness public big data for entrepreneurial innovation.
- Ensure entry into force of the new UP/UPC system with the broadest possible territorial coverage.



Digitalisation

Internet and digital technologies are changing the way we work significantly. Going digital has thus become a ‘must’, even for the smallest of SMEs. In order to compete in the global market, SMEs must embark on a digital transformation journey, which will help them enhance their operational efficiency, lower their costs, improve access to new markets and enable them to provide the same level of customer experience as their larger competitors. In return SMEs have to adapt their operations accordingly, in order to deal with the transforming business environment all around them. New technologies make it technically much easier to offer products and services across borders in new markets. As an example: e-Commerce with digital payments enable businesses to shift their operations from the physical to the virtual realm. This is not just as vital in the case of a buyer and seller transactions, as it is between two or more businesses.

However, existing barriers online lead to citizens not being able to make use of potential benefits, whereas companies and start-ups cannot make use of all their available digital tools. Therefore, we need to make the EU’s single market fit for the digital age – bringing down regulatory walls and moving from (27) national markets to a single one. For the European Union it is essential to create an entrepreneurial framework in which big ideas can thrive and grow. Digitalisation of our SMEs and promotion of European e-Startups must be prioritised.

- Digitalisation offers many opportunities for SMEs, for example making them more visible on the market and allowing them to reach potential customers that they probably never would.
- Encourage Private-public sector collaboration to boost SMEs acceleration in competitive global economy by encouraging them to go digital.
- Evaluate recent EU tech legislation and monitor national implementation before enacting any new rules.
- Digital SMEs need simple and outcome-oriented rules.
- Update Europe’s Internet rules to boost innovation and online safeguards.
- In a borderless digital ecosystem, rules have to be applicable and enforceable on all companies operating within the EU market.
- Establish a transatlantic framework for law enforcement access to digital evidence.

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EDUCATION AND SKILLS - KEY TO DIGITAL SINGLE MARKET

- Promote digital literacy at all educational levels and ensure respective funding.
- Enhance measures to increase the level of digital skills for SMEs.
- Open European programmes, communication and information campaigns just as much as a transparent, accessible implementation.

INFRASTRUCTURE AS FUNDAMENT FOR A DIGITAL SINGLE MARKET

- The Digital Single Market and the fair development of the regions need strong trans-European networks and infrastructure in the sector of transport telecommunications and energy.
- The realisation of 5G will require significant new infrastructure, both mobile and fixed. To promote and enable innovation a comprehensive and efficient 5G rollout across urban areas and major transportation corridors are needed, which will require a favourable investment framework. An efficient market structure will be crucial for making Europe a leading player for Gigabit applications in the future.
- Ensure an adequate, reliable and affordable rural broadband connectivity infrastructure across the entire EU is essential in fostering a transformation to next-generation digital agriculture.
- Make state-of-the-art connectivity available throughout the EU, and close the digital divide between urban and rural areas.
- Work on rural development and ‘smart village’ initiatives. The goal being to boost growth and jobs in rural areas that enable businesses to stay competitive, integrate rural areas into the broader economy and enhance the appeal of rural communities.

BRINGING SMES ONTO THE E-COMMERCE HIGHWAY

- European platforms serve as the bedrock of growth for European tech SMEs – they need to have the flexibility to continue to innovate, so in turn, European stakeholders/SMEs can grow. Regulators should focus on nurturing and safeguarding the potential of European digital services.

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- European SMEs are either platform providers or platform users. Platforms enable SMEs to reach out and sell to customers across the EU. Regulators should assess what unintended consequences online platform regulations might have on European SMEs.
- Promotion/development of a European legislative framework needs to be aligned with scientific progress and adapted to new business models.
- The EU should remove unjustified restrictions, such as blanket online marketplace bans or brick-and-mortar store requirements, which limits SMEs from selling online within the EU Single Market.
- It is very important that SMEs get the support from the EU, that they need so they can exploit the opportunities offered by e-Commerce.

AI, ROBOTICS & SUPERCOMPUTING - EUROPE & ITS SMES SHOULD NOT MISS THE FUTURE

- Strategically promote Artificial Intelligence – a fast, concentrated approach in the interaction of politics, research and industry is necessary. The focus should be on investment in artificial intelligence and a high-performance digital infrastructure, as well as on promoting highperformance European hardware manufacturers.
- Any mid-term Artificial, Intelligence Strategy must foresee a clear path on how to include SMEs and how they can benefit from this.
- Make robotics and supercomputing affordable for SMEs.

CYBERSECURITY STANDARDS FOR EUROPEAN SMES

- 68% of SMEs have no systematic approach for ensuring Cybersecurity – the EU needs a framework for solutions for SMEs.
- To strengthen cybersecurity in the EU, closer cooperation with security authorities and networking between companies is needed. A special, Europe-wide uniform IT security label can contribute to more transparency on the security properties for safe IT-based products.

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Joint standardisation activities for secure IT-based products should be pursued more vigorously by both policymakers and companies.

DATA ECONOMY: TRANSPARENT, SAFE, FAIR & EFFICIENT IN USE

- Open Data for Industry: Regulations for data economics should be created at European level and should not inhibit innovation, ensure an appropriate balance between the various interests and enable small enterprises to participate in data economics.
- The EU can promote voluntary and responsible data sharing in key sectors, e.g. energy and transport, while respecting companies' contractual freedom, trade secrets, their statutory duties vis-a-vis their customers, EU citizens, and public authorities.
- Rules on privacy and confidentiality of communications should provide meaningful privacy protection and confidentiality of communications while leaving breathing room for the development and use of secure and innovative digital services in Europe. A context and riskbased approach should prevail over redundant, mechanical user consent for European SMEs to roll out, use innovative communication services and deploy of IoT and machine-learning technologies.
- There is a need for comprehensive and transparent privacy regulations and responsible data protection with control over personal information use and disclosure/ Construction of universal mechanisms to control cross border data flows should be enforced to assure consistent and efficient rules applicable broadly.
- The rules on law enforcement access to digital evidence should promote trust in cloud services offered or used by European SMEs. Mandating decryption requests or mandating backdoors to surreptitiously access corporate data, or rules to that effect, should always be avoided. Safeguards should also be agreed on a transatlantic basis for greater clarity to the benefits of law enforcement, companies and users.
- SMEs ask for more data access, but data alone is not the answer, the right know-how is important for effective use of data. The same is true regarding storing data which is very expensive and most SMEs do not have the ability to store data.

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- Digitisation of payments gives SMEs access to valuable information to improve their businesses. This data can allow sellers to offer innovative loyalty programmes or customer rewards to incentivise prompt payment, provide a foundation for process automation, improve payment reconciliations, and create better business analytics for buyers and sellers alike.

DIGITAL PAYMENTS - NEW OPPORTUNITIES TO OPTIMISE

- Digital payment landscapes in Europe must remain vibrant and innovative. Voluntary private sector initiatives should be preferred to legislative interventions (eg. Polish cashless foundation).
 - As the number of payment instruments expands—like digital currencies, real-time payments, contactless payments, chip-based payments and others—SMEs will need to be able to seamlessly integrate all forms of payment into their business processes. To this reason, policies in the payments sector need to encourage the development as well as the entry of new technology and new players.
 - Given the increased competition, legislation should aim at ensuring the level playing field in the sector. SMEs and Customers need to be given a chance to make use of the variety of payment methods available to them. The EU should support this freedom of choice.
- Importantly, digitalising of payments allows businesses to serve a global customer basis and accept payments online. This enables European SMEs to scale up both at European and global level and reach customers across the world. To this reason, we also need a better global regulation.



FINTECH ACTION PLAN: INTRODUCING AN “EU DIGITAL IDENTITY CARD”

- The FinTech Action Plan is a spin-off of the Digital Single Market Strategy. The objective of the FinTech Action Plan is to shape the EU legal framework to promote innovative solutions in order to, for example, simplify and harmonise rules for the digital on-boarding of new clients.
- New developments like the Distributed Ledger Technology need an appropriate legal framework, which is adopted to the needs of SMEs. Again, a level-playing-field between (US and Chinese) BigTechs and (EU) SMEs is important to create a stronger Europe in the world.
- A modification of the Rome-I-Regulation is needed. Especially, SMEs could benefit from the Digital Single Market. Yet, the provision that an enterprise has to comply with every set of consumer protection laws, existing in all the Member States, if enterprise is delivering goods and/or services is a big barrier especially for smaller companies. A clear-cut optional right is necessary: either the company complies with its national consumer protection laws or with the consumer protection laws of the clients' Member State but not a mix of all involved laws.
- In areas where an identification of customers is required, (like in the payments area) the development of a harmonised set of rules is necessary. To give the Digital Single Market a boost, the introduction of a mutually recognised “EU Digital Identity Card” is the most promising way forward.

THE DIGITAL SERVICE ACT AS CHANCE OF GROWTH FOR SMES

- A new Digital Services Act should give digital European SMEs a chance to grow. New rules should cement the country-of-origin principle for SMEs to easily expand and do business across the EU single market. SMEs cannot afford a burdensome and general monitoring obligation, or rules to that effect. Instead, new rules should incentivise SMEs to take proactive measures to tackle unlawful content.

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TRANSFORMING EUROPE INTO A DIGITAL POWERHOUSE

- The European Union is currently lagging behind the US and China in platform economy. Given the increasing importance of data-driven business models, not only in the digital space but also in traditional sectors (e.g. Industry 4.0), the European Union should put in place a flexible regulatory framework that will enable the creation and scaling-up of European tech companies. For this reason, we need a Better Regulation 2.0 strategy which will take the fast pace of innovative markets into account and will provide a flexible framework for companies to try and test different business models and products/services.
- A Better Regulation 2.0 also calls for a more collaborative approach between tech companies and public authorities: Codes of Conducts and co-regulations are the way forward to ensure that companies reap the benefits of technological disruption (e.g. AI), but do so in a way which is in line with the fundamental rights of users (e.g. privacy). A collaborative approach should also apply in the space of platform regulation, where the EU institutions could put the principle of **participative antitrust** in place, advocated by Jean Tirole, a Nobel-winning economist.

Trade

A properly-functioning multilateral trading system is the key for economic growth and prosperity across the world. The EU must play an active role in overcoming the present impasse at the World Trade Organisation. The WTO is the ideal platform for simplifying and harmonising complex rules of origin and encouraging e-Commerce.

Ensuring level playing field with third countries, the EU needs to make sure that companies exporting to the EU from third countries, respect EU rules and must avoid them obtaining an unfair advantage by ignoring said rules. Here, customs and market surveillance authorities have a crucial role in ensuring compliance. At the same time, Trade Defence Instruments need to ensure predictability.

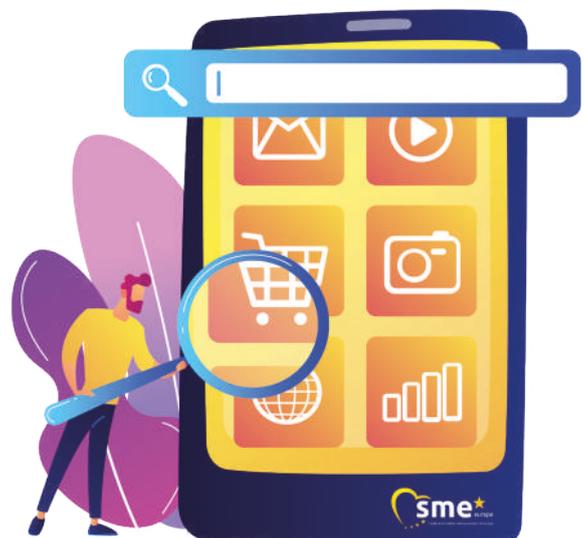
WTO - THE BEST FRAMEWORK TO ENSURE FAIR TRADE

- The multilateral approach within the framework of the WTO is the best way to open up markets worldwide. Industrial SMEs in particular benefit broadly from the international division of labour with rule-based international trade. The EU should welcome and encourage the reforming and modernisation of the World Trade Organisation.
- Competition policy: Fair competition must be ensured and must address distortions of competition, both in the internal market and globally. Further, changes in global competition must be taken into account
- Trade talks with the United States, China or India should be pursued rigorously. Simultaneously, the EU should aim to create a better trading environment with its neighbouring countries and regions, including EFTA, Western Balkans and the Euro-Med region.
- In addition to the dismantling of tariffs, modern FTAs need to offer various opportunities in the field of regulatory cooperation. They also need swift ratification in the European Parliament, proper implementation and better and easily accessible information for businesses, in particular for SMEs.



ROBUST MULTILATERAL TRADING SYSTEM

- Existing trade defence instruments (antidumping and anti-subsidy rules) must be supplemented to limit access to the European market by third-country companies that are systematically taking advantage of unfair conditions, i.e. social dumping, state subsidies, environmentally unsustainable conduct, and systematically competing in the EU market unfairly to the detriment of European SMEs and other European companies.
- Subsidised third-country companies' access to public procurement in the EU should be limited: in the context of European procurement procedures, bids from SOEs and other companies subsidised by third countries should be disqualified. Effective reviews of anomalous below market/low bid prices should be carried out to protect a fair bidding process.
- International Procurement Instrument calls for adoption to secure true reciprocity: in many cases, the EU opens its public procurement procedures to companies from countries that do not formally or de facto reciprocate. Reciprocal market access should be guaranteed through adoption and strengthening of the proposed International Procurement Instrument. The same principle of reciprocity should be included in any Free Trade Agreements concluded by the EU with third countries.
- Security aspects in the context of public procurement need to be considered when procuring in sensitive sectors (i.e. security, telecommunication, border control, energy) cyber security and cyber espionage risks should be carefully considered, particularly when Chinese companies participate.
- Free and fair trade can be an engine for inclusive economic growth and poverty reduction, and an important mean of achieving sustainable development. An incentive-based approach when negotiating with partner countries and regions will work better than one solely based on sanctions. Well-established models such as the Generalised System of Preferences (GSP) should be improved and modernised to ensure that they benefit the poorest nations.



Environmental, Green, Sustainable

SMEs play an active role in responding to growing consumer demand for more sustainably sourced materials and products. Innovation instead of prohibition is usually a better solution. To this reason, climate and economy need to be promoted together.

CLIMATE PROTECTION: LEADERSHIP & DEMAND VS. FEASIBILITY & FAIRNESS

- EU institutions need to work with local and national partners to enforce adequate sustainability criteria.
- Climate protection: politicians should push ahead with efforts to protect the climate at global level. As long as other countries continue to pursue less ambitious climate policies, the migration of locations and the relocation of investments to third countries must be avoided through appropriate carbon leakage protection measures.

GREEN DIGITALISATION - SMART SOLUTIONS FOR A SMART MANAGEMENT

- Support Green Digitalisation with Smart Cities (Energy-, Water-, Traffic Management) and Smart Mobility (Multilevel Mobility Management, Micro and Local Mobility)

SMES AS LEADERS OF A CIRCULAR ECONOMY

- Obligations to be fairly spread across the supply chain, including consumers.
- Reasonably priced renewable and secondary raw materials.
- A harmonised EU environmental legislation to strengthen the Single Market.
- Proper information and registration of requirements within the Waste Framework Directive to be pursued.

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SUSTAINABLE TRADE NEEDS FAIR COMPETITION THROUGH TRANSPARENT MEASURES

- Amore systematic recognition of certification as well as transparent measures, promoting sustainable sourcing.

HELP CONSUMERS MAKE SUSTAINABLE CHOICES

- Allow enough time for compliance with requirements for labelling and passing down information to consumers.
- Strike a fair balance between appropriate information and regulatory burdens.
- Ensure any new EU labelling systems offer real added value to existing national/regional schemes and do not disrupt those schemes existing.

GREEN FARMING THROUGH INNOVATION

- Digitalising farming is an efficient way to decarbonise the environmental impact of the agricultural sector.
- By collecting large amounts of data from crop yields, soil-mapping, weather data, machinery, fertiliser applications and animal health, digital farm management systems can help farmers better control and predict plant and animal development.
- Monitoring sensors can inform agricultural managers of the exact needs of any plant or animal, thus increasing the accuracy of intervention.
- Farms can optimise their production costs by reducing water consumption and the use of fertilisers, by better preventing outbreaks of disease and ultimately by increasing their yields. The environmental footprint throughout the value chain will get smaller, and biodiversity on and around farms will increase.



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SUSTAINABLE DEVELOPMENT / SUSTAINABLE FINANCE - PREVENT “GREEN RED-TAPE”

- There is no doubt that the utmost is needed to meet the Climate Goals. However, the objectives of the announced European Green Deal must be in line with the key priority of the announced “dedicated SME strategy” which is: reducing red tape!
- Experience with the Action Plan on Sustainable Finance has shown that great consensus exists on introducing new obligations for businesses, for example on information, disclosure and reporting. Yet, European businesses and credit institutions, especially smaller ones, do not need an additional layer of “green red-tape”.
- What SMEs and their lending institutions need, is a new Green Finance Strategy which supports the re-orientation of capital flows into sustainable projects by making lending less bureaucratic and more attractive for all parties involved.

BETTER TOOLS FOR CO2 SAVING

- With the help of governmental proceeds from certificate auctions, the respective citizens and businesses have to be fiscally relieved elsewhere. The goal must not be to obtain more revenue, but to sustainably reduce CO2 emissions.
- Moreover, subsidies in the national budget should be examined to determine whether the expected CO2 saving targets are even met. If this should not be the case, those subsidies must be eliminated, which in turn would create more leeway for taxpayers relief.
- With an eye on worldwide trade, instead of national solo efforts, a long-term overall package should be tied up rather than adopting new CO2 taxes.

Internal Market

The Single Market of the EU, once breathtaking in its ambition to eliminate all internal EU barriers for goods, services, capital and people might be failing to keep up with the economies it was trying to shape. As a result, the EU still looks like a series of mid-sized economies patched together, not a single rival to China and America. If Europe is willing to create prosperity and world-beating firms, it needs to reinvigorate the single market.

However, requirements as well as barriers concerning European SMEs, are increasing rather than decreasing. This applies to reporting obligations just as much as to measures that should not only achieve sustainability goals but protect the environment and all consumers. Yet, the goal should actually be to support companies, reducing bureaucratic requirements, discrimination and restriction especially from free movement of goods and services. Politics should create a reliable framework for economic activity, securing a level playing field, with further regard to the global level. At the same time, it should leave companies with the freedom they need, including the structuring of corporate responsibility and the achievement of sustainability goals. It is important that technical standards are harmonised as far as possible throughout the EU, where this is not the case yet.

In addition, information and administrative procedures should be made more comprehensible and accessible to all businesses by centralising, digitising and standardising them. It is vital that these are offered in English too.

Existing legislation needs to be better implemented, consistently applied and rigorously enforced to ensure a level playing field for all European companies. Infringements of the EU internal market legislation must be effectively eliminated. Further, legal protection for companies needs to be improved, since only legal security creates trust in local legal systems and in the EU as a legal union.

“SME friendliness” should be a higher priority on the level of legislation. The SME - Test must be carried out on every legislative proposal. Additionally, the impact on innovation and competitiveness must seriously be regarded just as much as alternative regulatory options. Impact assessments should be improved, and business feedback should be given serious consideration in consultations.

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Yet, obligations of informing, reporting and documenting must be limited to its necessity. Lastly, omitting further regulations should always be a serious option. This way, the entire regulatory environment for businesses, including SMEs, can be made simpler, more practical and more transparent.

- A. Complete Single Market for all goods and services.
- B. Ensure regular monitoring of the Single Market Scoreboard.
- C. Simplify and unify business start-up rules on Internal Market using e-procedures.”

A UNIFORM APPLICATION, IMPLEMENTATION & ENFORCEMENT OF EXISTING LEGISLATION

- In order to ensure full implementation of the EU fundamental freedoms, priority should be given to the application, implementation and enforcement of existing legislation rather than to the adoption of new legislation. To successively complete the internal market, Member States should rigorously check national regulations on their conformity with EU rules. European ex ante checks of new national rules for services - as they already exist for technical regulations on goods - would give Member States the possibility to comment on a law before its adoption. New barriers to the internal market could therefore be prevented in advance and lengthy infringement proceedings could be avoided.

GIVE PRIORITY TO THE PRINCIPLE OF MUTUAL RECOGNITION

- The principle of mutual recognition should have priority in the internal market as it guarantees the free movement of goods and services even without harmonisation of the national regulations. In addition, it ensures compliance with the principle of subsidiarity.

MAKE LEGISLATION SME-FRIENDLY

- In order to strengthen the internal market, the «Think Small First» principle must be applied. Legislation and its implementation should be SME-friendly from the outset. Exceptions for micro-enterprises should only be made in individual cases.

Brexit

- Companies need planning security, so there should be no renegotiation of the exit agreement. Yet, there most certainly should be work done on, the explanation of future relations. To this, the British Government should make proposals swiftly.
- The Brexit Agreement would limit the damage to the economy. Only then, the transitional phase, which is vital for the economy, can come into effect.
- For example, the EU's no-deal arrangements, on 9-month airlines or road haulage licenses are of paramount importance to limit the worst possible damage in a no-deal scenario.
- However the EU arrangements will only come into force if the British allow the same. Here, clarity must prevail on the British side.
- The lack of customs infrastructure alone, threatens to disrupt supply chains and just-in-time productions.

Economic & Monetary Union

The economic and monetary union is still staged as work in progress. It is necessary to take a much more ambitious action in the context of EMU reform in order to achieve a more economically integrated, competitive and innovative European Union.

EUROPEAN MONETARY FUND FOR MORE INDEPENDENCE FROM THE IMF

- Create a European Monetary Fund including a joint backstop for single resolution fund: The EMF could create more independence from the IMF, ensure faster decision-making in the event of a crisis and increased accountability to the Council and the EP. Resilience to crises is a necessary condition for completing EMU. The backstop function has to be build up hand in hand with the reduction of non-performing loans in the Member States.

CONVERGENCE & COMPETITIVENESS (BICC) AS A NEW INSTRUMENT

- Introduce a new budgetary instrument for Convergence and Competitiveness (BICC): Structural reforms are important and necessary. The new instrument will strengthen the Economic and Monetary Union by supporting a higher degree of convergence and competitiveness within the euro area and the participating Member States, hence contributing to the overall cohesion of the Union. It will help to strengthen the potential growth and to enhance the resilience and adjustment capacities of our economies as well as the mechanisms of economic governance.



Capital Markets & Banking Union

The Capital Markets Union is an EU initiative which aims to deepen and further integrate the capital markets of all the EU Member States. It aims to provide financing options to EU enterprises. Yet, it is necessary to foster both capital markets and banking markets.

The Banking Union is an EU initiative, developed with the aim to ensure a safer financial sector. The Banking Union includes three pillars: Pillar 1 sets strong prudential requirements for banks and a uniform approach to banking supervision, Pillar 2 ensures rules for banking resolution and Pillar 3 is intended to provide a uniform insurance cover for retail depositors

CAPITAL MARKETS UNION FOR MORE INTEGRATION

- In 2019, European investment levels are still low especially looking at some Member States. Further European capital markets are less competitive compared to the global level. Therefore, the Commission should find the best way to foster CMU, considering the outcome of Brexit as EU stakeholders will be still dependent on the UK players for certain Markets.
- In order to finance SMEs, a right balance has to be found when deciding on the most appropriate policy mix.
- SMEs rely significantly on bank loans for funding (70% of outstanding SME external funding in Europe comes from banks) and evidence shows that bank lending remains the favourite source of financing for SMEs.
- The stability of the financial markets in Europe can be strengthened by the CMU, by adequately reducing risks and treating them according to the principle of individual responsibility and in particular subsidiarity.
- Maintaining the diversity of the European banking landscape also contributes to financial market stability and safeguards access to finance.
- A new European Commission plan for completing the CMU should be used to identify and remove burdens presented by bureaucracy with the objectives of ensuring capital markets stability as well as providing capital markets access to all investors.

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- Since the CMU aims at unlocking capital around Europe, an increase in the participation of retail investors in EU capital markets is necessary. Therefore, in our opinion, the next CMU plan should focus on:
 - A. Restoring investors trust and raising confidence in capital markets
 - B. Increasing financial education
 - C. Raising access to securities. Broad masses of the population should have access to and interest in securities. For this reason, the further development of the CMU should first lead to a revision of financial market legislation, in particular MiFID II and PRIIPs. The regulations should then be examined to see whether they actually bring added value for customers and SMEs. This added value should then be compared with the possible negative effects for customers and the expected cost burden for the institutions (cost-benefit analysis).
- The European approach to financing works through bank lending. SMEs are inherently local businesses and need local partners to ensure stable, long-term financing. Local and regional banks are the main financial partner to SMEs.
- The CMU can certainly provide additional funds to SMEs, however, this cannot fully replace a financial partner. Banks, as financial partners, not only offer loans, but also knowledge of local economies and professional advice to those businesses.
- Regulatory initiatives of the past few years have put a heavy administrative burden on banks and SMEs. Reduction of that administrative burden is necessary, in order for especially small regional banks to be able to continue providing financial means to the local economies (particularly regional SMEs). Putting too much burden on local banks also produces a spill over effect of the administrative requirements on the local SMEs. The more documentation the banks are obliged to collect, the more information is requested from SMEs, which heavily burdens the SMEs. Therefore, a reasonable and proportionate approach to administrative requirements is vital.
- Prudential rules for banks must ensure financial stability, but also support and promote economic stability. Policymakers must ensure that prudential policy does not hinder economic development.

Agriculture & Nutrition

In recent years, consumers have become more and more interested in healthy and sustainable food products and food production alike. Consumer demand has therefore been a key driver for more conscious production systems and more sustainable agricultural practices. The need for change was reemphasised by the latest IPCC special report on land which shows huge opportunities to use land more sustainably and to shift diets to plant-based foods.

To help farmers in the future adopting to agricultural practices while respecting the environment accordingly, these fundamental rules must be pursued in all relevant policies. This further is applicable when considering consumers actions to limit the impact of agriculture on the environment.

New technologies and their adoption by the EU farmers will be key drivers for maintaining Europe's agricultural competitiveness. Making digital transformation a reality in the agricultural world will require digital know-how to get the most out of precision engineering technologies.

Attracting young talent will become more and more crucial for the sector's long-term economic viability. Creating new jobs for 21st-century farming — in education, research and development, land management and all along the food supply chain — will ensure decent livelihoods for farmers and increase the well-being of citizens both in rural as well as in nearby urban areas.





The food sector is the largest manufacturing sector in the EU (turnover of over € 1 trillion) and also the largest employer (4.6 million). The sector is dominated by SMEs (over 90%) and a world leader when it comes to innovation. It is key that all food legislation of the future will be SME-focused. But more support is needed when it comes to the challenges of ever more demanding food legislation.

This is true for product applications, scientific assessments and basically for every single food product to which ever more regulations apply. We need to make sure that SMEs get the most relevant, meaningful and “fit-for-purpose” food legislation. At the same time, EU companies being among leaders in this area, need the support of EU policy makers to help create the right environment. We therefore call for high product and quality standards and strong post-market surveillance systems across the EU to safeguard the competitiveness of our companies and to support their efforts to ensure strong consumer protection.

Also, we need a framework for consumer information that is fit for purpose, so that SMEs can communicate with consumers about the benefits of healthy diets. EU consumer legislation must add value to consumers and provide opportunities for business.

INNOVATION & TECHNOLOGY FOR SUSTAINABLE AGRICULTURE IN EUROPE

- Health and environmental care should be at the centre of agriculture in the future, as all relevant EU policies should be aligned.
- Creating conditions for streamlining new technologies, agri-tech will be able to help solve pressing challenges, such as growing food sustainably, safely preserving natural habitats and taking care of the countryside.
- Monitoring sensors can inform agricultural managers of the exact needs of any plant or animal, thus increasing the accuracy of intervention and will ensure a greater abundance of high-quality, safe and healthy food — at a competitive price — to meet the needs of a growing population.
- In order to reduce the use of crop protection products and chemical fertilisers, resulting in the pollution of soil and water, technology may help farmers in applying the products avoiding dispersion into the environment or even replacing the use of PPP and fertilisers. Moreover, further research in breeding will help the development of new varieties that will require less water or even less PPPs, and will increase the shelf life of agricultural products in order to reduce food waste.
- It is fundamental to strengthen the link between the CAP and other policies that aim to ensure a sustainable use of agricultural inputs.
- EU policies starting from the next CAP, should encourage the production of common and public goods concerning environment and health. Agri-food companies may apply the concept of Corporate Social Responsibility (CSR). CSR provides an appropriate framework to complete the link between agricultural multi-functionality and sustainable development.
- SMEs need to be encouraged to act responsibly with proper tools and guidance, which is why the European Commission has developed specific guidance documents for SMEs, e.g. CSR Handbook for SMEs. CSR principles can generate value both on a common level (positive externalities, common goods) and a business level (brand enhancement and marketing strategies). In this way, the CAP payments for common and public good provision would meet citizens' expectations and farmers' needs for economic support.

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VALUE SMALL FARMERS & MAKE THEM FIT FOR THE FUTURE

- Greater financial incentives as well as ensuring control of payment to Small Farmers would lead to enabling them to make their purchases and to adopt new production practices as fast as possible.
- Cohesion Funds are necessary for the EU to work on bridging the gaps between the Member States. Support for the European Fund for Strategic Investments (EFSI), should especially be intended to spur digital transformation in the agricultural sector.
- Through public-private partnerships, the uptake of new technologies and the performance of agricultural innovation systems would clearly improve.
- New investment can further be promoted by transferring technologies from other sectors (e.g. from computer science or robotics).

KEEP EUROPE'S UNIQUE FOOD SECTOR DYNAMIC & SAFE

- European solutions and harmonisation come first, with a diligent application of the new Regulation on mutual recognition wherever harmonisation is not achievable in short term. SMEs do not have resources neither for making reformulations according to different requirements in each Member State, nor for enforcing their rights by legal means.
- More support of SMEs by the European Commission, EFSA and national authorities when it comes to applications and scientific assessment is needed: for example by making consumer, social and business sciences accessible to SMEs, providing funding and financial tools tailored to SMEs and creating synergies between start-ups and SMEs and many other means and ways to support them.

PROMOTE THE DRIVE TOWARDS HEALTHY NUTRITION

- Developing a common nutrition and health agenda on EU level together with all stakeholders to tackle today's societal challenges such as the rising obesity rates, malnutrition and an ageing population.
 - Supporting innovation in nutritional science: It is critical to encourage R&D by making sure that nutrition companies retain their ability to develop and market evidence-based innovation to protect the health and wellbeing of EU consumers with specific nutritional needs.
 - Agreeing on a harmonised maximum level for vitamins and minerals in supplements and foods with such, based on levels established by EFSA's Scientific Committee on Food. The lack of harmonisation in this area and the establishing of ever more diverging national legislation is amongst the most critical barriers to intra-community food trade to date – and again: challenges for SMEs are bigger when it comes to the adaptation of recipes or legal challenges of member states denying market access.
- Agreeing on a harmonised regulatory framework for botanicals across the EU that establishes a common methodology for assessing safe use of plants, pursuing a risk-based approach that considers the history of the use of the plant and recognising the safety and quality measures applied, based on best practice in Member States with legislation in place. In its absence, the resulting lack of business certainty impedes further growth and investment in this sector.
- Establishing high quality production standards and strong post market surveillance system. Consumers are entitled to expect highest standards where health is concerned, and the same quality standards are to be applied across the European Union in a consistent manner to ensure a level playing field; Europe could do more and contribute to the adoption of harmonised high-quality manufacturing practices and nutrivicilance systems, to support the efforts of the companies in this direction. Highest quality standards are a competitive advantage for Europe, but SMEs should always be included in the developments of such standards.

- Making safety assessments for SMEs food products fair and affordable: safety assessments conducted by EFSA may represent an obstacle to the development of safe, innovative and competitive products in Europe. The requirements for the studies conducted and the criteria assessment of EFSA are often unclear. Studies conducted by companies are rejected and no indications are provided on the expected design of those studies. The costs of the studies are significant for SMEs and can reach up to EUR 1 million, and therefore cannot be repeated. A fair approach and harmonisation is needed.
- Further, when it comes to safety assessments, most of the time the criteria applied by EFSA do not consider the characteristics of a product in its entirety but look at specific compounds in isolation. This is particularly true when it comes to products made of natural substances and botanical mixtures. However, this methodology generally applied by EFSA is not appropriate – natural complex substances do not have the same properties as their isolated chemical compounds and the interactions of natural substances inside a matrix differ from the activities of single pure compounds. A proper assessment in relation to the safety of botanical mixtures should therefore be based on a “case by case” approach, by evaluating the product in its entirety. Therefore, specific EFSA guidelines for botanical mixtures are required.



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Travel & Tourism

Tourism is a sector of the economy that can only be defined in terms of demand. The money spent by domestic and foreign visitors goes to a variety of branches that range from industrialised sectors with large companies to small retailers and service providers.

In the last couple of years, the legal requirements and the required paperwork have grown dramatically. Small and medium sized companies cannot afford to invest the amount of time and money into back office and administration required to do this work.

It's not only the amount of new regulations but rather the improper manner of these regulations. While the reasons for some of the new regulations are obvious and mostly right, it seems like some laws have been designed and formed without talking and listening to the challenges of SMEs.

PACKAGE TRAVEL DIRECTIVE (PTD) - GOOD FOR CONSUMERS & LARGE PLAYERS, BUT UNFAIR TO SMES

- The general idea of protecting consumers in a new world of online booking models etc. is the right and logical way, HOWEVER:
 - A. The actual implementation in various Member States is far from coherent
 - B. Large players are not checked the same way SMEs are (e.g., they use a letter of comfort from their parent company)
 - C. COSME IT corporation, online platforms and airlines ignore the PTD or build workarounds (click through packages)
 - D. The distinction between packages and linked travel arrangements is not clear and creates insecurity for businesses and consumers.

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CONNECTED TO THE PTD INSOLVENCY PROTECTION

- The increase of the percentage of revenue which needs to be protected working as a tour operator caused tremendous problems. Mostly SMEs have been hit by this as they usually don't have such big cash reserves. Accordingly, it is very hard for them to receive guarantees from banks. If they get said guarantee, the costs are very high and reduce their small profit margins even further.
 - All this, whilst big airlines still do not have any insolvency protection. It is obvious and verifiable that their risk of becoming insolvent stays high. Also, it is evident that several European airlines use clicks through bookings and should be seen as tour operators and therefore need full insolvency protection.
- Global Distribution Systems vs. Direct Distribution by big airline groups: big airline groups are leveraging their market and pricing power by creating surcharges (DCC) for travel agents who are using a reliable, well established and neutral global distribution system (GDS). Also, they are taking out content from GDS while promoting their direct online channels and establishing a new distribution system (NDC) under their control. This is also applicable to big global tour operators.
- Strict EU regulations for travel agents and tour operators vs. companies without any business license in that field: while honest and anxious SMEs in tourism with relevant business licences are fighting hard to keep up with all legal requirements and are on a watch by various control mechanisms, there are more and more new companies which do not have any license and are "flying under the radar" because of this. There is no clear point of complaint so that companies who have the highest potential to leave consumers in uncertainty could be excluded from the market easily



THE IMPORTANCE OF INDEPENDENT DISTRIBUTION CHANNELS OF AIRLINE TICKETS

Changes in the airline ticket distribution market are seriously eroding the ability of SMEs travel agencies and smaller airlines to compete. The neutral distribution channel, powered by global distribution systems (GDSs), allow smaller airlines to compete on the merit of their offers and services. These neutral platforms provide airlines with unmatched access to the global travel market, without the need for substantial investment in their own distribution systems and marketing networks.

However, this distribution channel has significantly shrunk over the years and now only represents approximately 30% of the total tickets distributed. Content aggregators, Metasearches and airline CRS portals have entered the distribution market. These new channels are causing fragmentation and are making it harder for SME travel agents and smaller airlines to sell and access content. These channels, unlike the GDSs, are not regulated by the CRS Code of Conduct and are therefore not a source of unbiased and neutral information. This makes it harder for customers to compare products and ultimately leads to extra costs for travel agents, as they have to invest in several platforms to access fragmented content in an effort to circumvent this lack of transparency.

We call for:

- A. The protection and enforcement of the principles around which the airline distribution market has grown (level playing field, fair competition and transparency).
- B. The establishment of clear rules and obligations for all market players in the airline distribution ticket market (including GDSs, gatekeepers, airline groups, Metasearches and others), that will correct market failures resulting from advantageous competitive positions.
- C. The distribution of the airline content to intermediaries and customers must be provided on a transparent and fair basis. Airline content discriminatory practices erodes consumer choice and fair competition and should be prohibited

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PROTECTING THE INTERESTS OF AIR PASSENGERS

The current regulation on air passenger rights affects the various types of airlines very differently. Airlines operating in European regions, being predominantly SMEs, are hit much more significantly by its financial impact, legal costs and administrative burden, e.g. lower ticket prices, taking the burden of compensation when providing shorter routes on connecting flights and the economies of scale that favour larger operators. These costs result in cancelled routes, reduced opportunities for new services, and the deterioration regarding financial health of regional operators.

The regulation amended by successive decisions of the CJEU is an existential threat to regional carriers as a group (imposes almost double the cost per passenger on them compared to large carriers), is anti-competitive and unfair. Further, studies show that the increased costs of compensations can result in decisions by individuals which 'stretch the limits' on operations and is adversely impacting safety margins.

The revision of air passenger regulation proposed in 2013, including proposals aimed at reducing its most costly aspects for carriers, has languished. Should the co-legislators decide on a new revision of the existing regulation, the drafting of a fair proposal, based on the positions submitted by the airline industry during this year's consultations, is expected to be undertaken at the soonest possible date.

ENSURING BUSINESS CONTINUITY FOR SME AIRCRAFT OPERATORS

Regional airlines (carrying 74 million passengers per year and generating 290,000 jobs directly) are currently required to retrofit their aircraft with a surveillance technology called ADS-B (Automatic Dependent Surveillance - Broadcast) by 7 June 2020.

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This requirement to retrofit ADS-B equipment would be burdensome for some regional airlines (SESAR Deployment Manager estimates by 40 to 50 per cent more than other single-aisle or wide-body types), can be disproportionately expensive, and in some cases technically difficult to accommodate due to incompatibility with other avionics architecture. Aircrafts are planned for retirement soon after the implementation deadline. There are also many EU registered aircraft which are being returned to lessors or withdrawn from service within the first few years following the mandate. For such aircrafts, no return on investment will ever be achieved.

For regional operators who are bound to comply yet unable to meet the mandate and for no short-term cost benefit in view of European legacy surveillance infrastructure, SME Europe calls for exemption criteria to be adopted.

GRANTING EQUAL OPPORTUNITIES FOR ALL PLAYERS OF THE AVIATION INDUSTRY

In its current state, the directive defining the criteria of setting airport charges is seen as ineffective, only dealing with the procedural aspects for setting airport charges and not protecting airlines and their passengers from airports, which according to airline industry's view, might abuse their market power. In addition, data on airport charges is hard to find or inconsistent when available, and airlines are not provided with transparent information by airports when the latter determine the level of airport charges.

SME airlines are therefore on the opinion of air carriers' community: the directive shall be revised with introducing stronger rules on consultation, transparent charging system, independent oversight and a mechanism to identify and regulate airports.

As announced in the Aviation Strategy, the evaluation of the Airport Charges Directive was launched in 2016. SME airlines welcome the Commission's recent evaluation of the directive, that finds shortcomings in several areas and concludes that the current framework needs to be reformed, and calls to table a new proposal as soon as possible.

Taxation

For SMEs, taxation affairs are the most burdensome policy area that affects them. Even though handled by large enterprises, SMEs often face real barriers way earlier in the process. Yet, SMEs are contributing more than 50% of the taxation. Therefore, the EU is obliged to find balance between a good taxation policy and fair tax competition.

TAXATION MUST BE FAIR, SIMPLE, PROPORTIONAL, ENFORCEABLE & INTERNATIONAL

- A fair taxation system which treats all businesses equally, regardless of their business model and distribution channel is essential. National taxes targeted at specific retail and wholesale business models prevail in certain Member States (e.g. Tascom in France or Business Rates in the UK, taxes on large retail outlets in Spain as well as taxes specifically targeted at foreign retail chains in Poland, Slovakia and Hungary).
- Corporate taxation should be solely based on the factor of profits generated, and only target untaxed earnings to avoid double taxation. Taxes based on turnover will unduly hit start-ups who invest and often operate on a loss in their growth phase, and sectors with a high turnover and low margins, such as retail and wholesale.
- Eliminating imbalances in competition through the principle of “Same profit, same profit tax contribution”: this principle must equally apply for the EU and non-EU market participants.
- A simple tax system: any future taxation rule should be designed to be easy to comply with and simple to calculate. The VAT One Stop Shop and attempts to simplify the calculation of the tax base are welcomed developments in this area.
- A proportional tax system should ensure that further (digital) development of the economy is not hampered and SMEs do not face undue bureaucracy and administrative burdens.
- An enforceable tax system needs rules which are easily applicable across all businesses and all regions. EU-based companies operate at a major disadvantage to companies located outside the EU, which often face few real consequences for non-compliance or fraud, especially in the field of VAT.
- We do not support any new/additional taxes.

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- The integrity of the single market needs more harmonised tax rules. Moreover, the EU should play a constructive role in the discussions at international level to find a global solution.
- An international tax system is needed to reflect on an increasingly globalised and digitalised economy.
- The EU should lead efforts ambitiously to achieve global tax reform by 2020, which should include all countries and sectors.



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Education & Skills

Entrepreneurial skills and mindsets can be acquired and further developed from primary school onwards until university and beyond. Entrepreneurship education prepares people to become responsible and enterprising individuals. It should help people to develop the skills, knowledge, and attitudes necessary to achieve the goals they set out for themselves. Evidence also shows that people with entrepreneurial education are more employable and at the same time are more likely to set up their own companies compared to the average in the general population. Therefore, we need to give much more attention to the topic of entrepreneurship in the school and university curricula. Rather than being taught as a single subject, entrepreneurial thinking should be taught as a cross-sectional topic.

European companies need well-trained specialists and managers with practical experience in order to be able to compete internationally with their products and services. Therefore, a future-oriented European industrial policy in the Member States also requires more efforts to increase the quality of schools, including greater vocational orientation within the framework of teaching, the practical orientation of university teaching and the attractiveness of vocational training systems. In addition, it is indispensable to increase our overall commitment to digital and continuing education.

EUROPE NEEDS YOUNG ENTREPRENEURIAL SPIRIT

- Entrepreneurial skills need to be demanded, starting with young people. Erasmus for Entrepreneurs should include the age group between 14 – 18 years.

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EDUCATION & SKILLS BECOMING A PERMANENT CHALLENGE & A CHANCE

- Urgently address skill gaps, particularly in digital technology, by reforming national educational curricula.
- Involve social partners in measures enabling employees to catch up and nurture the habit of continuous learning. This will be important, given the massive changes the economy is experiencing through digitalisation, online sales and shifts in consumer choices and behaviour. This is already feeding through into major changes in the profile and number of employees needed.
- Support extension of the private sector and in-house training to more employees through EU co-financing.
- Remove disincentives to regional or national authorities in applying for funding. Current prefinancing conditions can stop less well-off regions from applying for funding.
- More direct coordination and dialogue on upskilling and reskilling of workers is needed between EU decision-makers, companies and their national associations, social partners, and the national and regional authorities is desirable.

Labour Market

Labour Mobility is maintaining a level playing field in the Single Market is essential to SMEs. In that respect, the enforcement and implementation of the Posting of Workers Directive is key. The European Labour Authority should support and ensure effective cooperation between Member States to tackle frauds and enforce penalties imposed abroad.

The future of work is shaped by digitalisation and new forms of work. Both employers and workers ask for a new and innovative approach to flexicurity.

COUNTERING SHORTAGES OF SKILLED LABOUR

- Mismatching skills and changing demographics lead to a lack of skilled staff for SMEs. It is therefore key to set more ambitious goals when it comes to acquiring basic skills in literacy and numeracy, upskilling and reskilling. In addition, lifelong-learning and on-the-job training should be an essential part of labour-market-oriented education policies.
- The situation in the East and South of Europe is particularly challenging, resulting in less competitive SMEs that are losing potential employees to the North and West of the EU. We could cope better by dedicating funds and creating special incentives (including tax breaks) for SMEs in variety of areas:
 - A. Education and lifelong learning programs for both managers and employees
 - B. Benefits that would help SMEs in creating better work places for their employees
 - C. Tax breaks for investing in digitisation and automatisation of all business processes
 - D. A significantly reduced bureaucracy for both employers and employees a for the SMEs across the EU
 - E. Extra funding and tax breaks for SMEs to bring retirees back to work

LEGAL MIGRATION

- Europe should position itself as an attractive destination for highly qualified workers. The revision of the Blue Card Directive, including the creation of an EU-wide talent pool, should be continued to facilitate the access of skilled third-country nationals to the EU's labour market, while respecting national competences and rules.

Creative Industries

Creative industries drive innovation, invention and progress across Europe's diverse cultural landscape and play an important role in shaping a shared sense of European identity, culture and values. It is a knowledge-intensive field, based on individual creativity and talent; cultural and creative sectors, especially through SMEs, generate considerable economic wealth, creating jobs, particularly for young people, while also strengthening social cohesion.

Fostering the competitiveness of creative industries in Europe (term comprising – inter alia - the sectors: design, advertising, architecture, film & music industry, software development & gaming industry...) as well as the crossover or spill over effects of creative industries on other industrial sectors of the economy and innovation (application of a broad understanding of the concept of "innovation", social innovation) in particular through the new generation of relevant EU funding programmes post-2020 should be of key importance.

FOSTERING THE COMPETITIVENESS OF CREATIVE INDUSTRIES IN EUROPE

- Ensuring sufficient financial resources for the budgetary envelope of the thematic cluster „Culture, Creativity & Inclusive Society“ in Horizon Europe as well as establishing a so-called „Creative Knowledge and Innovation Community“ (KIC) in the framework of the European Institute for Innovation and Technology (EIT) are two major political requests.
- The new European Commission and EU Member States must be encouraged to continue to develop and diversify the financial assistance and instruments (eg. The Cultural and Creative Sectors Guarantee Facility managed by the European Investment Fund) to support creative SMEs, which play a crucial role in the cultural arena of the EU.
- Also during the current EP legislative term it should be made sure that the European Cultural and Creative Industry Intergroup in the European Parliament is re-established in order to have another relevant forum at EU-level for the political discussion of topics of the key importance of the respective sectors.



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Rue de Pascale 22, 1040 Brussels
office@smeeurope.eu

