

CHRISTINA SOMMER, FORSETI ESBA.

ERINDI Á MÁLPINGI VIÐSKIPTARÁÐS ÍSLANDS 5. JÚNÍ 2009

Ladies and Gentlemen,

I feel greatly honoured to be invited to speak to you today. This is my very first visit to your country and I hope to learn much about your people and your island.

Our common concern of course is small business and before I delve into this subject, let me tell you who I am and a little about my background.

My name is Tina Sommer and I am here in my capacity as President of the European Small Business Alliance. Representing this pan-European business organisation is the result of a long journey, which started in the South of Bavaria where I was born spending the first 30 years of my life in Germany.

It may not surprise you that every single member of my family runs a small business. At the age of 12 I started to help my mother in the office and that is what I still do today as my day job, working in offices as an IT consultant.

From an early age I was exposed to the complaints and moans of my parents, my uncle and later my sisters about legislation, tax and risk. When I was just finishing my A-levels I keep thinking what all this complaining is going to achieve? Why does nobody do anything about it?

In line with our family tradition I also run a small business, private tennis centres with my first husband, but privately it did not work out, so I decided to try my luck abroad. Two years in Dubai taught me how free trade zones and no income tax can substantially change your fortune. Of course a country rich with oil and trade revenue can afford such luxury when most workers have to go home once their contract expires.

My second husband brought me to the UK where we set up a business to deal in automotive components such as engines, axles, gearboxes and drivelines in general. By the way, he is still my husband!

He is a true entrepreneur in that he can see opportunities and has no hesitation to take risk. We ended up with a company in Latvia, which in 1992 had just gained its independence and a membership in the EU was not even in sight. Working in an emerging market is challenging to say the least. We had everything from bomb threats to a total lack of banking facilities. Nevertheless, we did very good business and expanded to the Ukraine.

We were so busy dealing with the risks in front of us, that we did not see the danger coming from the back. Our main supplier, a multi national company decided that we were too successful and went and took over our customers. They can't do that you may say, but then again every right one may have has to be enforced and that we could not afford. The effect on us was near bankruptcy.

We lost our home and ended up with a tremendous amount of debt having invested heavily in engineering to be able to sell the drivelines.

A couple of years in South Africa kept our company alive, but constant increases in EU standards made it eventually impossible to sell to South Africa, simply because they could not afford the machinery or training to keep up. This time EU legislation ended our activities.

Today, 10 years later, we have our home again and more. We split our activities where my husband works for a public body as a consultant in the timber industry and I work with small manufacturers to sort their IT problems and keep their information flow within the company going.

As you can see my life story gives a fair picture what small business can go through and why I have a keen interest in improving the environment we all work in. This opportunity came along when we joined the Federation of Small Businesses in the UK some 12 years ago.

I now represent the FSB in all matters abroad and also on the ESBA board where they are a member organisation. The main attraction in my view both organisations have is that they have voluntary membership as opposed to statutory bodies and that it is the business people themselves that make their case rather than hired hands. Of course we do have staff and their help is invaluable, but it is the businesses themselves that are best placed to show where the problems are and what can be done about it.

Let me tell you a little about ESBA. This organisation is now 10 years old and part of a group of about 5 pan-European organisations in Brussels who are the most active. Just to put this into perspective, there are hundreds of European and thousands of national organisations all fighting to make their voices heard in Brussels. In general however, associations that represent a large number of businesses from all sectors are the most interesting to the Commission and the Parliament alike; simply because they try to get the picture from all sides as quickly as possible. Ideally both Institutions would like to see only one organisation, but that will never happen due to the vast variety of businesses and their concerns.

ESBA has member organisations from 9 countries with two more countries to join shortly. Iceland is not amongst them and perhaps that should be rectified in the future – we are open for business ☺. Most importantly, we are strictly non-party political. We work with anybody as long as it helps small business.

So what exactly are we doing in ESBA? Our main activity is lobbying, although this word is starting to get negative connotations in some quarters. What that really means is that we try to improve the legislative environment small business works in. We don't just complain, but also work with the Commission and the Parliament to come up with better solutions. We certainly ask difficult questions, however we are also prepared to bring relevant businesses to Brussels to explain why a particular proposal is not workable.

Our members are SMEs, in my book that stands for Small and Micro Businesses. 91% of all businesses in the EU are micro businesses with less than 10 employees. I am sure that is also the case in Iceland. In other words, we represent the vast majority of businesses.

Unfortunately, also DG Enterprise in the Commission has recognised that fact, others have not. Legislation today is still made with medium size companies in mind. This certainly is an improvement to some 20 years ago, when everything was geared towards large companies. By the way, there are only 253,000 medium size companies and 46,000 large companies from a total of 23 million companies in the EU. I am sure you agree with me, we do have a case here.

The second activity of ESBA is providing information to our members. Knowledge is everything. We ensure that anything relevant to small business is summarised and action proposed. Sometimes we even give a complete action plan on what to do in Member States to support our efforts in Brussels. Co-operation and co-ordination is key to a successful strategy.

We distribute good practise between the members. For instance the FSB started a campaign 'Keep Trade Local'. This campaign is now being rolled out in Belgium and Slovenia with the help of FSB material.

The third area of activities, is helping member organisations to grow, improve their lobby activities, if necessary, and develop benefits.

Now that you know a little about ESBA, and myself let me tackle some issues you may be interested in. I shall start with the Financial Crisis, which is undoubtedly the most impacting problem, we all face right now and I might add Iceland perhaps more than other countries.

I am fully aware of Iceland's background to the financial crisis as far as it can be read about. Living in the UK I am also aware of the action of the British Government freezing Icelandic assets. I am also aware that many institutions including local authorities in the UK have lost their investment in Icelandic banks now resulting in public services having to be cut down.

I am not in favour of playing the blame game. People make mistakes, we all do. In this case a lot of mistakes were made by a lot of people. As usual some have to pay for their mistakes more than others and some are very good covering their own backside. What I am interested in is how these mistakes can be rectified and that everyone gets a fair chance. To this effect ESBA has done a press release some time ago calling on the British and Icelandic Government to sort out this mess. Perhaps you can let me know how this work is progressing. This situation is of course highly political and as a business organisation we are quite limited what we can do here. We also need to recognise the fact that politicians act with the next election in mind rather than future generations, let alone small business.

In my view this is wrong. The survival of small business is absolutely essential for any economy. Without them there is no economy. What we can do is keep up the pressure on both sides, so our elected representatives do the job they have been elected to do. For this reason it is imperative that small businesses stick together.

One of us does not achieve anything, all of us can achieve a lot.

In March I attended an OECD meeting on the financial crisis with the aim to prepare possible solutions for the G20 meeting in London beginning of April. Many countries from all over the world were present and all sorts of horror stories came out. In my speaking slot I did put your case forward and can only hope that they listened. A number of good solutions were proposed and two of mine also made it into the G20 meeting, and were accepted in London. There is no

time now to go into details, but you are welcome to have my speech with the proposals and the report from the 2-day meeting.

The second subject you may be interested in is the Small Business Act for Europe, which was passed in December last year.

Contrary to general perception, the 'Act' is not an Act as usually understood. It is **not** legally binding. This means that although Member States have agreed to it, there is no legal requirement for them to follow the rules. However, the Commission has included annual reporting requirements as part of the Lisbon Agenda reporting system.

What this Act is meant to do is set a framework to which Member States should work. This framework contains just about everything we in ESBA lobbied for. I best go through it with you, so you can see the potential this has, if it is followed:

Here are the 10 principles of the Small Business Act:

1) Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.

This can include legislation, standards, employment conditions and, of course, access to finance. In other words: 'Entrepreneurship policy is not a favour to entrepreneurs, but a favour to society'.

2) Ensure that honest entrepreneurs, who have faced bankruptcy, quickly get a second chance.

Very topical right now and essential. As you heard in my brief CV, we rather lost our home than the company for fear of going bankrupt. What we need is conditions as in the US, where failure is seen as a learning curve and an asset rather than a barrier.

3) Design rules according to the 'Think Small First' principle.

This aims to take note of the vast majority of businesses in Europe. We now use this phrase extensively in the FSB whenever possible. Hopefully this phrase will become ingrained in every politician and civil servant's mind. Only then will we see actions that reflect this principle.

4) Make public administrations responsive to SMEs' needs.

I don't know what your administration is like in Iceland. I can tell you however, that in Croatia, where ESBA has just done an extensive report on the business environment, public

administration does not care at all. This is certainly an area where lobbying, naming and shaming as well as publicity can improve the situation.

5) Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs.

Public procurement is used extensively in this financial crisis to stimulate the economy. If small business does not get a share of it, there won't be much stimulating going on. Contracts to large companies will only draw out the funds to other countries.

With regards to State Aid, the Commission has relaxed the rules massively allowing Member States to provide financial assistance to the small business community without referring back to the Commission. No government can say, oh we are not allowed. We in ESBA know this and make sure that our member organisations know as well.

6) Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.

In the current environment this has been slightly overtaken by measures to enable us to survive. However, late payments of public bodies and private, mainly large companies, is becoming a serious problem for obvious reasons. To this effect the Late Payment Directive is currently going through the system. Again there is not enough time here to deal with this in detail, but perhaps one important feature is the obligation for public bodies to pay within 30 days. I am happy to take questions on this later in our discussions.

7) Help SME's to benefit more from the opportunities offered by the Single Market.

Considering that only 8% of all small businesses operate in the Single Market, there is definitely a need for this provision. The Services Directive, which is currently being implemented in the Member States and will come into effect on January 1st next year, should help greatly. This subject should be of high interest to you as a small island.

8) Promote the upgrading of skills in SMEs and all forms of innovation.

Well, education, education, education. I do not know your situation here in Iceland, but I can tell you that in many EU countries entrepreneurship education is quite a subject. Typically I never saw the need for it, till I decided to go to University and do a degree in Enterprise, 5 years ago. Only then did I realise that with more education I could have avoided many pitfalls and probably saved a lot of money.

Although the vast majority of innovation comes from small firms, this is hardly recognised. The key problem usually is bringing innovation to market and that is where small companies do need a lot of help.

9) Enable SMEs to turn environmental challenges into opportunities.

Iceland, 5th June 2009

If it wasn't for the financial crisis, this topic would dominate all activities and quite rightly so. Even if you don't believe in climate change, what is for sure is that natural resources are limited. From an energy point of view you are lucky here in Iceland and perhaps don't see the need to get too involved. However, be it oil, gas or water, the run is on for the future, which will eventually affect everyone.

10) Encourage and support SMEs to benefit from the growth of markets.

I am not entirely sure what this exactly means. I often have doubts whether it is right to assume that everything is constantly growing in size. Perhaps we need to realise at some stage that growth may not be the ultimate aim.

These are the 10 principles enshrined in the SBA. Although it is not legally binding, it still sets out the framework that every Member States should follow. It is written with the small business in mind and we should all work towards implementing as much of it as possible.

Ladies and Gentlemen,

I have now kept you for quite some time and talked about a lot of different subject. I do hope that you have a better idea where I am coming from, what ESBA is doing and what is happening in Brussels. I could talk for days, but I am sure you won't listen for that long.

Small businesses are the most important contributor in any economy. Remember, if we stick together we can achieve a lot for us, our families and our country. ESBA is open to co-operation, co-ordination and all like-minded people.

Join together as friends and a large problem becomes a lot smaller.

I thank you very much for this invitation and moreover for your patience in listening to me.

Thank you

Tina Sommer
President European Small Business Alliance
tinaesba@gmail.com
mob: 0044 7855 450365