



Brussels, 21 June 2011

Dear President Barroso,

The European Small Business Alliance is a non-party political European group, which cares for small business entrepreneurs and the self-employed and represents them through targeted EU advocacy activities. ESBA also works towards the development of strong independent advocacy and benefits groups in European countries. ESBA is one of the largest organisations based on voluntary membership in Europe. Through its direct membership, associate membership and cooperation agreements, ESBA today represents almost one million small businesses and covers 36 European countries. ESBA's main focus is the advancement of micro- and small businesses (MSEs) and therewith the advancement of the European Economy.

As you are well aware, more than 90% of all European businesses are micro-entities with less than 10 employees. Yet, this category of businesses is responsible for more than two thirds of the entire EU workforce. Moreover, micro businesses are amongst the most innovative and agile companies of the EU. I believe at this point it would be safe to say the micro-businesses are the driving force behind the EU economy, as well as the key to a prosperous future for our European market.

At the same time, regulatory burden, along with access to finance are named as the number one obstacle for micro businesses. As important as it is to acknowledge the difference between SMEs and larger companies, and to adapt and 'tailor' legislation for SMEs accordingly, it is equally important to finally and fully accept that the same is true for the difference between micro-businesses and larger SMEs. The SME spectrum of 1 – 250 employees is still very large and where a company of 200 employees may be perfectly able to comply with a piece of EU legislation, a company of 3 employees may have great difficulties in terms of financial and other resources to comply and could ultimately go bust. For reasons described earlier in this letter, the EU cannot afford their driving force and main creator of employment to fail. It is therefore evident that action is needed, and it is needed now.

One of the key methods of ensuring that the regulatory burden does not increase disproportionately is to ensure that the burden of each proposed regulation undergoes a thorough cost/benefit analysis. If it is found that there lacks a substantive justification for the introduction of new legislation after all evidence has been reviewed, then it should not progress in that format. Yes, impact assessments are already ordered by the European Commission where such calculations are attempted. However, these impact assessments



should never be based on evidence from just a limited sample size of firms, and are incomplete if certain groups – such as micro firms – are not fully considered. For, how can we not include more than 90% of all EU businesses in an impact assessment? If anything, they should be the main focus and vantage point for any assessment, are we not *Thinking Small First*?

A systematic and thorough SME test is a crucial ingredient for any Impact Assessment potentially affecting small business. However, currently the SME test is applied only scarcely and by no means thoroughly. This should seriously improve within the next year. Another suggestion I would like to make is to make better use of the possibility to exempt micro businesses from unnecessary burdens by altering the burden of proof when assessing the impacts of legislation on micro-businesses. The starting point for the assessment process should be the presumption that regulations will not be applied to micro firms in the exact same way as they are to larger firms, unless there is adequate proof to suggest why they ought to be fully included. Exactly this part of the assessment could become a standardized part of the SME-test.

It is time for action not words from the European Commission. If the burden of unnecessary regulation could be lifted from the EU's 23 million SMEs they would be free to get on with creating wealth, employment, opportunity and innovation. It is worth remembering that if only fifty per cent of the EU's SMEs employed just one extra person there would be an additional 10 million jobs.

Let me conclude by saying that the European Small Business Alliance urges the European Commission to seriously consider the suggestions made above in a real effort to improve the regulatory environment for Europe's MSEs. Mr Barroso, I think we share a common goal when it comes to getting the EU economy back on track and, as an MSE association, the European Small Business Alliance will remain at your disposal in your efforts towards achieving this goal.

Sincerely yours,

A handwritten signature in black ink, which appears to read 'Tina Sommer'. The signature is written in a cursive, flowing style.

Tina Sommer,
ESBA President