

EFB COVID-19 Response Webinar Minutes - 27th March 2020

Opening Remarks, Udo Vetter:

- This is a very emotional time for us all; substantial changes could never imagine middle of January when we were very concerned about CO2, environment, global warming.
- EU political level before now: Ursula Von der Leyen introducing Green Deal to get green movement to support her.
- With COVID-19, we've been taught by nature what disruption is. Clear we need to do Green deal through evolution not disruption as we've now discovered what disruption means for us and how it makes us act.
- Very disturbing how Europe has gone back to its internal borders despite Schengen. Each country is doing its own things to try to save their economy, very little coordination is taking place.
- We want to do anything we can and contribute in a positive way to bring back common approach of Europe.
- E.G. Udo Vetter's company trying to manufacture as much medication as possible. Lucky to be able to produce at rate of between 85/90% in Germany.

Intro, Jesus Casado:

- Facing most dramatic and brutal recession in present times. Need to act quickly and firmly to avoid depression. We will certainly have a recession, but we can avoid depression.
- This is global problem so we need a global solution.
- Fiscal and financial measures needed. Increases in public debt are inevitable. Economic plan has to be put in place so households and businesses are the most important sectors of economy that might be affected. Actions need to be fast, fair and efficient.
- **2 key objectives for EFB:**
- Ensure firms have enough cash flow to pay workers, suppliers and avoid bankruptcy. If not, liquidity crisis will become a solvency crisis.
- Ensure measures are put in place to keep plants and workers intact, guarantee quick recovery when public health emergency solved.

Darius Movaghar, Summary of main measures taken:

- **EU Level:**
- The European COMMISSION (EC) have reacted quickly and used tools at their disposal. Released unused money from various funds e.g. regional funds into healthcare, SME funds and short-term employment schemes.
- In response to the gravity of the situation, the EC has agreed to loosen State Aid Rules. 2 weeks ago, state aid applications had been approved by Denmark, UK amongst others. EU rules generally prohibit state aid unless it can be justified under certain circumstances related to general economic development. Rules on State aid were originally put in place to ensure that state-owned resources are not deployed to distort competition or create unfair advantage in the European single market.

- ECB Pandemic Emergency Purchase Programme - likely to be extended to ensure survival of Euro (see more info here https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html)
- **National level:**
 - Deferral or reduction of tax and social security contributions - 23 member states.
 - Financial guarantees - 22 MS done this to allow companies with financial difficulties to access these.
 - Direct loan schemes - 15 MS, tended to be focused on SMEs, what has been experience for larger companies?
 - Direct grants/cash injections.
 - Most MS have rescue package for self-employed individuals
 - Subsidising wages of employees for shorter working hours very common action e.g UK, France, Germany.
 - Best practise in Bavaria (see slides for details)

National Level Support for SME's feedback.

So **we** can tell COMMISSION what **we** need and have an exact, unified position.

1. What do you think about the measures already implemented by your government ? are there enough? Could they be better implemented? How ?
2. Do you have feedback from your members on what else is needed? please be specific
3. What would you or your members think that the EU commission should do to better coordinate the member states response to help family businesses in your country?

- **Olivier Hamoir , Belgium:**
 - **1.** Yes, Belgium has taken all 5 measures previously mentioned. Could be better implemented especially on the disbursement of funds for small enterprises which should be better coordinated amongst the regions and faster.
 - A topic not covered for a lot of Family Businesses is concerning where shareholders have borrowed against shares of companies to buy up minority shareholders or other family members at the time of succession.
 - These loans are collectivised with the shares of the company and banks will do an impairment test every quarter to check that the collateral is sufficient. End of March many Family Businesses will not pass this mark.
 - Recommended governments and Belgian in particular to alleviate this constraint and give pass on solvency and impairment tests for shareholders of family owned businesses in these times. This is a huge issue as it could lead to force sale at the wrong moment.

- **2.** Urgently need to think of an exit strategy from confinement policies. Cost unbearable for companies, all could be bankrupt in 2 months, even with the proposed schemes. Need to have exit strategy from now and from 6 weeks from now.
- Need to start becoming cleverer in our way to ensure vital economic sectors progressively go back to work. Huge testing approaches needed. Need 2 million tests a week and need systems that give incentives to people to go back to work. Current system of Part time work encourages people not to work. Need to reverse this. Will take at least 3/4 weeks to get people back.

- **3.** Clear that we're starting to see behaviour that is counterproductive between European Countries, specifically concerning the movement of goods - example of Spain.
- Much more practical work needed by COMMISSION to expand trade of goods much easier and better as with Schengen.

- **Fiona Graham, UK:**
 - Some good measures in place. Holes in these and not fast with implementing them.
 - Loans available, 80% reimbursement scheme for workers at companies. Workers have to agree to do no work. This presents a challenge of getting people back to work.
 - As mentioned, implementation has been difficult: Self employed package not going through until June, not expecting salary reimbursements until the end of April.
 - Details for loans only came out last Monday, the same day they were meant to start. Treasury telling banks they need to do their job as difficulty getting money out of banks.
 - Overall, announcements by the government are being made quick, but the delivery is slow.
 - Massive issue faced by mid-sized businesses: Cap on businesses that can get interruption loans for SMEs of £45 million turnover.
 - Facility around larger businesses around issuing commercial paper and it's being organised by Bank of England. Hugely impractical for 9000 mid-size businesses that need something. UK government have said state aid rules are the reason loans can't go higher.
 - People think some measures has been successful. Taking on loans is a big challenge as don't know future prospects, but people are desperate and willing to take risks.
 - Because of Brexit planning, many companies have a better understanding of their supply chains and know where the problems are likely to be.

- **Kristel Meos, Estonia:**
 - **1.** Issued policies for workers benefits, very short-term. Big topics raised but regulations on how to implement are missing.
 - Government afraid to make mistakes in national and EU legislation, trying to be compliant.
 - Businesses and people acting in good faith and money needs to go through as quickly as possible. Estonian family businesses have been issuing ideas to government and telling the public to order from local producers to keep economy running.

- Businesses willing to adapt to do this if they have capabilities and orders.
- Friday, made recommendation for government from their members to solve situation, created webinars to keep members updated etc.
- There is a need to put pressure on banks as they have not been as helpful as expected. Even if they have access to Central Bank resources, it seems they are prioritising their own profitability first.
- **3.** Message to EU: encourage banks to make financial resources available, as easily as possible. Order banks to cooperate, the banks are international; local governments have limited influence.
- Kristel Meos is the newly elected President of the Estonian Association.

- **Daniel Mitrenga, Germany:**

- Very big fund has been put up by the federal government: €600 billion. Question is who will apply for it? SMEs, between 15-250, are not entitled to these funds, they will have to go via loans.
- Even if coverage by government of 80-90% of assumption of liability, issue remains banks won't act fast enough. As long as minor risk for banks, it will take much too long to get money free and deliver it.
- German Family Businesses propose to have full coverage of liability.
- Also, message that thinking of exit strategy has to begin now.
- German chapter has ran a survey through their members: 88% have drop in sales of around 50%, a third have applied for loans and another third will do this week.
- **Results of the survey to be circulated with the other chapters.**
- (Udo Vetter added): Companies with up to 15 employees are eligible for support of up to €9000 a month, cash injection from individual federal states. How effective we don't know. Application forms are being circulated.

- **Albert Jan Thomassen, Netherlands:**

- **1.** FBNed are very happy with the measures, government has acted fast. Seeing an intelligent lockdown. Real challenge to get implementation work of all measures.
- Not only on state owned level but provincial and local. Government should call much more on ethical and responsible behaviour of companies. Companies should only apply for state support if they really need it.
- **2.** FBNed have requested special temporary law for Virtual Shareholder meetings. In Holland currently, these meetings must be held physically; it is not clear whether meetings can be held virtually,. The government preparing temporary law to allow this.
- The government is planning to increase gift tax relief up to €1 million.
- Conditions should be put on state aid. High salary paying companies who are not willing to limit these salaries should not be allowed state support.
- **3.** Message: EU should stimulate governments to put all kinds of measures, implement them. How to do this should be left to local level as all countries and areas different.

- No more EU funds should be made available unless for mid to long term recovery and reform.
- EU should call upon shareholders of listed and private equity companies to refrain from dividend payments and reinvest dividends instead.
- The EC should put effort into facilitating exchanges between member states.
- **EU gathering info from member states, Jesus will be sharing this.**

- **Esteban Sastre, Spain:**
 - **1.** Measures implemented in Spain like the rest of the other countries. The government is focusing on the liquidity needs of SMEs through public laws and warranties. Differentiating a lot between financial and fiscal measures.
 - Not talking about reducing taxes etc as important to know from economic point of view what is the diagnosis of the problem. First time in history we're focusing on a temporary problem.
 - We need to focus on the long term problem. Need to solve in financial way, with a long term view. If we try to solve in a short-term way there will be side effects.
 - Forecast for GDP in Spain around 3% fall this year but will recuperate in 2021.
 - Need to try to solve problem like it is a new issue, focusing on the financial issues.
 - **2.** Companies in Spain complaining about tax deferrals of SMEs not being implemented quickly.
 - In Spain, IEF has been actively advertising what members have been doing to help the government with the health crisis e.g. some companies have been making masks etc. Family Businesses need to do what they can to help rather than just relying on the government and asking them for help.
 - Currently, the government is focusing more on the health crisis than the economic one.

 - **3.** Message: call for general economic solutions. Economic solutions for Family Businesses will help them to continue with business. Improving the financial situation is more important.
 - Family Businesses have to talk about values as crisis will come again in the future.
 - **Jesus:** Want to showcase what our companies are doing to help in the crisis on central website e.g. Making masks. Should promote this: send to us and will put these best case on website to show solidarity from business community, have to show that we care.

- **Auli Hänninen, Finland:**
 - The Finnish chapter issued a newsletter about the positive measures that member families have done so far.
 - The Finnish government have implemented measures similar to other countries. As with the UK, Mid-sized companies have a key problem as they have no clear access to support measures.
 - Support provisions have focused on small businesses and the self-employed. Mid-sized companies now, and for the next 4 weeks ahead, will have even bigger probs if the governments does not do anything.

- Message: We need support and loans: measures are either too big or too small for them. We need more direct support in Finland.
- **Mihaela Harsan, Romania:**
 - 1. Beginning of the crisis. Around 4 million people left country in last 15 years and many now returning, especially from Italy and Spain as many were fired or used to work for seasonal companies.
 - Huge problem as hundreds of thousands not employed in Romania and didn't contribute there so have somehow to survive. Going to be supported by state.
 - Not happy about economic measures by government. No direct loans, grants, cash injections etc. Not facing the reality, the government are hoping it's a small crisis.
 - Crisis in health system as many doctors didn't have materials needed e.g. masks and many caught COVID-19.
 - **Want to buy masks etc but want to buy from EU states not Asia so let know if you know anyone they can buy from.**
 - Good to be more in touch between the businesses and COMMISSION.
 - 3. COMMISSION may recommend/take measures to stop speculating prices for some necessary health and food products, should limit prices as growing fast and not good for us.
- **Dr. Joseph Gerada, Malta:**
 - Situation is under control however it is developing on a daily basis. So are incentives and support provided by the Government. Things taking longer to implement administratively, resulting in a situation where businesses have unanswered questions and the support is taking long to reach them, especially taking into consideration the fact that most businesses need to issue salaries and wages at the end of the month. For most today was payday for March but have not received the funds they require.
 - Since yesterday, a gradual lockdown was initiated with 65 year old and over, and people with certain medical conditions directed not to go out unless for very specific matters such as to buy groceries, receive medical assistance or to visit pharmacies to buy medicines. There are situations where many family business owners from the previous generation fall within this category. This means that these people will not be able to go to work. Have situations where their children live with them still and they also will not be able to go to work. The Government said that special leave subsistence for such people will be provided by the government but do not have any details.
 - The main support businesses need is financial. Would like to retain their workforce but without a direct financial injection without a lot of administrative burdens they will have no choice but to let go some if not all employees go. Therefore is important that the COMMISSION provides MSs with a support package which allows for such a financial injection in family businesses. If necessary checks should be done afterwards to ensure that it is not too late for these businesses to fulfil their financial commitments.
 - Most incentives offered by the Maltese government are directed to a list of sectors (nace codes) but not to others, although the Government has given the impression that it will be practical and consider amending the list. Unfortunately discovering new information about the hurdles being faced by various sectors on a daily basis, some

of which are not included in the lists the Government published as businesses operating in sectors eligible to receive assistance. Situation needs to be addressed. any general direction from the COMMISSION supporting this situation very welcome.

- **Alexandre Montay, France:**

- METI members are reporting a 54% drop in activity.
- Lots have had input and increased their demand of Bpifrance.
- Most companies reported that they haven't had difficulties in accessing emergency measures however have had difficulties with payment delays and access to health products to keep work open e.g. masks, hand sanitizer.
- Reporting good clean conditions at work for those still working, helpful from police etc.
- Industries have all come together well to work together to overcome the virus, create the essentials and deliver critical services.

Next call to take place next Friday (3rd March) same time (11-12).