

Champagne-Ardenne Region thematic seminar

Temporary Crisis Scheme
French regional experience and good practices
9-10th June, 2010



European Union
European Regional Development Fund



1 Definition of Temporary crisis regulation

DEFINITION OF TEMPORARY CRISIS REGULATION

In response to the crisis, the european plan for economic recovery is dedicated to :

- ▶ implement structural measures to stimulate european growth
- ▶ preserve employment
- ▶ restore confidence
- ▶ facilitate firms access - especially SMEs - to financing

DEFINITION OF TEMPORARY CRISIS REGULATION

The Commission communication « Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis » referred as « Temporary Framework » has been adopted on the 17th december 2008 (same framework for all european partners)

DEFINITION OF TEMPORARY CRISIS REGULATION

France considered that the financial crisis was affecting its whole economy at local, regional and country level. The notified measures aimed at remedying a serious disturbance in the economy of France.

The 5 schemes have been adopted in France



DEFINITION OF TEMPORARY CRISIS REGULATION

**1. The notified aid temporary scheme
« Small Amounts of Compatible Aid »
(extension of De Minimis)
has been registered in France
as State Aid N7/2009 on 19th January 2009**

- ▶ additional flexibility to provide support for business during the crisis, enabling public authorities to aid up to 500 000 €/undertaking
- ▶ aid can be granted until 31/12/2010 (ongoing negotiations to extend to 2011)



DEFINITION OF TEMPORARY CRISIS REGULATION

- ▶ only for SMEs and large firms entered in difficulty after the 1st July 2008, in all sectors excepted fisheries, primary production of agricultural products, export aid and aid favouring domestic over imported goods and services firms which were not in difficulty on 1/07/2008

« Small Amounts of Compatible Aid » is the first aid mobilized in France (grants + loans) and is the single one used by Champagne-Ardenne



DEFINITION OF TEMPORARY CRISIS REGULATION

**2. The notified aid temporary scheme
« Aid in the form of Guarantees »
has been registered in France
as State Aid N23/2009 on 27th February 2009**

- ▶ reduction of up to 25 % for SMEs (15 % for large companies) of the annual premium to be paid for new guarantees
- ▶ reduction applied for a maximum of 2 years
- ▶ the max. loan must not exceed the total annual wage bill of the beneficiary and may not exceed 90% of the loan
- ▶ guarantees can be granted until 31/12/2010



DEFINITION OF TEMPORARY CRISIS REGULATION

3. The notified aid temporary scheme « Aid in the form of Subsidised interest rates » has been registered in France as State Aid N15/2009 on 4th February 2009

- ▶ the interest rate must be at least equal to central bank overnight rate + a premium equal to the difference between the average 1 year interbank rate and the average of the central bank overnight rate plus the premium corresponding to the risk profile of the recipient
- ▶ this applies to all loans of any duration, until 31/12/2010
- ▶ the reduced rates may be applied for interest payments before 31/12/2013



DEFINITION OF TEMPORARY CRISIS REGULATION

4. The notified aid temporary scheme « Aid for the production of green products » has been registered in France as State Aid N11/2009 on 3d February 2009

- ▶ must relate to investment loans for financing projects consisting of production of new products which significantly improve environmental protection or go beyond future Community product standards
- ▶ investment must start in 2010 and loans must be granted until 31/12/2010
- ▶ loans may cover the costs of investment in tangible/intangible assets
- ▶ an interest rate reduction of 50 % for SMEs (25% for large companies) can be applied for 2 years



DEFINITION OF TEMPORARY CRISIS REGULATION

5. The notified aid temporary scheme « Risk Capital Investment » has been registered in France as State Aid N36/2009 on 30th June 2009

- ▶ maximum level of financial tranche increased to €2.5M per target SME over a 12 month period
- ▶ private investment contribution reduced to 30 %
- ▶ these changes do not apply to risk capital measures covered under the General Block Exemption Regulation



DEFINITION OF TEMPORARY CRISIS REGULATION

At the same time, in response to the financial crisis, Europe gave more flexibility in allocating structural fundings.

Aims at using up the allocations from the 2000/2006 funding period by extending the deadline of the 4 regional structural funds (ERDF, ESF, EAGGF, FIFG)



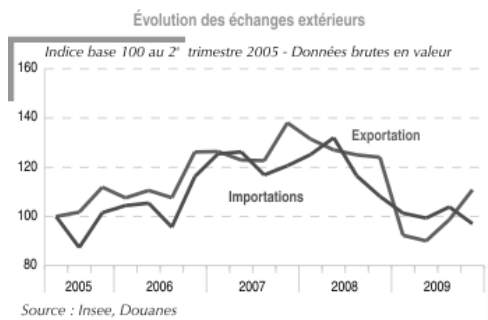
11 Crisis impact in Champagne-Ardenne

CRISIS IMPACT IN CHAMPAGNE-ARDENNE



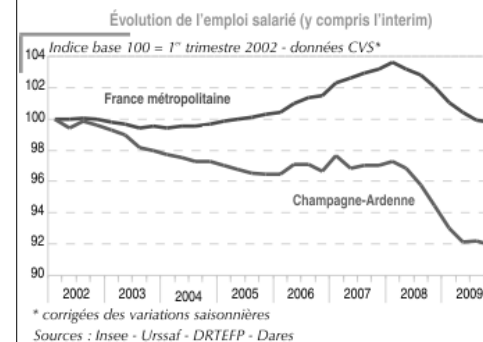
Economic activity : the recovery is not efficient to stop the unemployment decrease and the employ deterioration
(in green, planned activity – in red, real activity)

CRISIS IMPACT IN CHAMPAGNE-ARDENNE



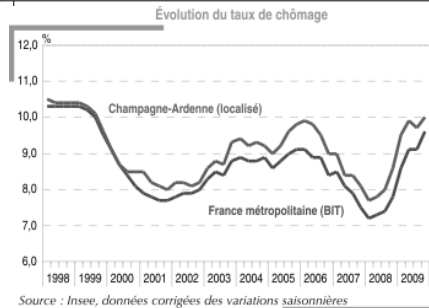
Exportations level decreases (more than at national level) : all sectors are concerned, including champagne

CRISIS IMPACT IN CHAMPAGNE-ARDENNE



Employment (including interim) decreased since Q2 2008 at national and regional level (more marked in Champagne-Ardenne). During the last quarter 2009, 1 000 jobs have been eliminated. Regional industry is the sector the most impacted by the crisis.

CRISIS IMPACT IN CHAMPAGNE-ARDENNE



Unemployment rate reaches 12,5% in Ardennes, departement where industry is over represented.

Unemployment rate increases and recovers its 1999 level. 10 % of the labor force is impacted (France 9,6 %) : it corresponds to 54 000 jobseekers. According to State local departments, 1 000 000 hours of reduced activity have been authorized especially in industrial sectors (metallurgy, rubber and metal manufacturing).



CRISIS IMPACT IN CHAMPAGNE-ARDENNE

2009	Champagne -Ardenne
Industry	90
Construction Transport Hotels & Restaurants	537
Services	173
TOTAL	800

Business failures are constant relative to 2008 with an amélioration registered Q4 2009.



CRISIS IMPACT IN CHAMPAGNE-ARDENNE

Conjunctural trends (opinion survey end 2009) : high investment contraction

7 industrialists out of 10 have recorded order reports

6/10 have suspended investment projects and 5/10 will suspend them in 2010

6/10 have recorded a deterioration of cash

5/10 go through payment requirements of suppliers



CRISIS IMPACT IN CHAMPAGNE-ARDENNE

Conjunctural trends (opinion survey end 2009) : main managers' preoccupations

► **9 managers out of 10 are concerned by the maintain of their activity (level of orders)**

► **7/10 have to manage drastically their treasury**



CRISIS IMPACT IN CHAMPAGNE-ARDENNE

Social impact : increase of household indebtedness

▶ 6 091 cases in Champagne-Ardenne

▶ + 16 % in 2009 with 180 000 cases in France

111 Definition of National & Regional Temporary Measures

FRENCH STATE RECOVERY PLAN

ACCESS TO FINANCE FOR SMEs

Reinforcement of guarantee funds from
OSEO (National agency for innovation and
finance)

▶ 2 billion €

Reinforcement of project financing

▶ 2 billion €

Consolidation of short-term credits into
mid-term credits

▶ 1 billion €

In Champagne-Ardenne :
151 SMEs concerned (70 % VSEs) - 6 M€

FRENCH STATE RECOVERY PLAN

CONJUNCTURAL MEASURES TO REDUCE CASH TENSIONS

▶ Payment deadlines reduction between suppliers and
customers (Economy modernisation law)

▶ VAT prepayment

▶ Accelerated payment of the Research Tax credit

FRENCH STATE RECOVERY PLAN

NEW PIECE ADDED TO THE BALANCE SHEETS OF FIRMS AFFECTED BY THE CRISIS

The accountants order added an extra note to the balance sheet entitled « Financial crisis impact on 2009 accounts ». This document aims at maintaining banks and insurers confidence. It highlights decrease in turnover due to the crisis and present measures taken by the company in terms of restructuring and cost reductions and 2010 forecast turnover.



CHAMPAGNE-ARDENNE « FINANCIAL RESTRUCTURATION »

« FINANCIAL RESTRUCTURATION » OF REGIONAL COMPANIES AID VOTED IN MARCH 2009

► aims at helping companies structurally healthy but coping with lack of cash, linked to the impact of the financial and economic crisis since the 1st of July 2008



CHAMPAGNE-ARDENNE « FINANCIAL RESTRUCTURATION »

Beneficiaries : all kind of companies, whatever their size, their location and their activities (excepted prohibited sectors) struck by the economic crisis

This aid is subject to :

- Previous analysis of the reasons of the worsening of the situation
- Presentation of a credible business plan including shareholders and banks



CHAMPAGNE-ARDENNE « FINANCIAL RESTRUCTURATION »

Conditions :

- Previous strategic and financial expertise (independent consultant)
- Guarantee fund from OSEO on mid term loans (French agency for finance and innovation)
- Spreading out of fiscal and social debts




CHAMPAGNE-ARDENNE « FINANCIAL RESTRUCTURATION »

Amount of regional aid :

- Limited to 250 000 €
- Repayable aid – rate 0 %
- Differed payment until 24 months
- Repayment over 5 years

CHAMPAGNE-ARDENNE « FINANCIAL RESTRUCTURATION »

 **Results until may 2010 : 2, 75 M€ loans granted**

Sectors	Number of companies aided	SMEs/Large companies	Regional loans (amounts)
Industry	11	9/2	2 180 500 €
Wood industry	5	5	270 000 €
Services	2	2	300 000 €

CHAMPAGNE-ARDENNE « FINANCIAL RESTRUCTURATION »

Number of jobs concerned : 2 500

Financial leverage : about 1 to 15 (cash equivalent - regional SACA/LOAN + capital)

CHAMPAGNE-ARDENNE « FINANCIAL RESTRUCTURATION »

Qualitative impacts :

- Importance of the company audit implemented by Champagne-Ardenne Region (independent analysis of the situation – implementation of a credible business plan – identification of weaknesses, ...)
- Better relationships with banks

IV
Case study
« ilb »

CASE STUDY

Presentation of the company :

- Activity : production of copper-made alloys pieces for automotive, aeronautics, energy, ... sectors
- Turnover : 65 M€ (75 % in EU, USA, Asia)
- Number of employees : 350
- Family shareholders

CASE STUDY

Crisis impacts on the company :

- Fall of turnover up to 30 % from november 2008
- Cash tensions
- Losses in 2008

CASE STUDY

Measures taken by the company :

- Part-time unemployment
- Reduction of expenses from 40 % (except salaries)
- Negotiation with suppliers (terms, price, ...)
- Measures to strengthen productivity

CASE STUDY

Financial restructuring of « le bronze industriel » :

- Implementation of an independant audit by the Région (Ernst & Young) - SWOT analysis
- Accelerated repayment of Research credit tax (1 M€)
- Mid-term loan of 2M€
- Guarantee on 90% of the loan by OSEO - 5 banks concerned
- Small amount of compatible aid of 250 000€



V Experiences by the Partners



LOWER AUSTRIA

Economic stimulus package :

- ▶ to encourage the investments of undertakings
- Includes 3 points :
- 1) adaption of existing subsidy guarantee and participation programs
 - 2) new subsidy program for SME's
 - 3) new package for innovative and technology oriented undertakings



LOWER AUSTRIA

Guarantees and participations (1)

Differences of the new state aid compared to the previous one	1) adaption of existing subsidy guarantee and participation programs (enlargement for growing undertakings and for bigger undertakings)
SMEs aided till march 2010	7
Jobs maintained till march 2010	no data collection
Total amounts dedicated till march 2010	guarantees for loans to the amount of T € 6.250 (for growing undertakings)



LOWER AUSTRIA

Guarantees (2)

Differences of the new state aid compared to the previous one	2) new subsidy program for SME's to get credits easier (the government of lower Austria takes over a 50 % guarantee for investment credits ; 50 % of the risk holds the bank ; simplified method of testing)
SMEs aided till march 2010	131
Jobs maintained till march 2010	no data collection
Total amounts dedicated till march 2010	guarantees for loans to the amount of T € 6.250 (for growing undertakings)

LOWER AUSTRIA

Guarantees (3)

Differences of the new state aid compared to the previous one	3) new package for innovative and technology oriented undertakings through equity and mezzanine capital
SMEs aided till march 2010	3
Jobs maintained till march 2010	no data collection
Total amounts dedicated till march 2010	guarantees for loans to the amount of T € 8.633 (mezzanine capital)

BAUTZEN INNOVATION CENTRE - SAXONY

	Konjunkturpaket I / economic stimulus package I from 05.11.2008	Konjunkturpaket II / economic stimulus package II from 14.01.2009
Objectives of the temporary state aid	<ul style="list-style-type: none"> - Job preservation - prolongation of the duration for short time work money, qualification of employees - Innovation support and support of energy efficiency in companies - Environmental protection - no motor vehicle tax for new cars, support for energy efficiency in buildings - Special depreciation for SME's - Financial liquidity support for companies - Accelerated investments in water, rail and road ways - Additional funds for infrastructure projects in local authority districts 	<ul style="list-style-type: none"> - Job preservation and steadiness - Support of domestic economic activity - Sustained strengthening of the country

BAUTZEN INNOVATION CENTRE - SAXONY

	Konjunkturpaket I / economic stimulus package I from 05.11.2008
Type of aids	grants, loans, guarantees, interest subsidies, accelerated depreciation
Differences of the new state aid compared to the previous ones	new programme just for temporary crises, no programmes in prior years
SMEs aided till march 2010	no data available (the different types of aids in this programme are open for companies + states + local authority districts)
Jobs maintained till march 2010	n/a
Total amounts dedicated till march 2010	2009 + 2010 = 50 billion € + 20 billion € liquidity support just for companies

BAUTZEN INNOVATION CENTRE - SAXONY

	Konjunkturpaket II / economic stimulus package I from 14.01.2009
Type of aids	loans (58%, 7.171 M€), guarantees (42%, 5.167 M€)
Differences of the new state aid compared to the previous ones	accumulation of capital from package I
SMEs aided till march 2010	till April 2010: 13.797 applications ; loan (7.171 M€): 49% medium-sized companies (3.124 acceptances), 51% big enterprises (213 acceptances)
Jobs maintained till march 2010	n/a
Total amounts dedicated till march 2010	additional 50 billion € in total - 12,34 billion € allowed (52% medium-sized companies, 48% big enterprises); 6,4 billion € paid



Thank you for your attention !

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