

Article on the MEP Dinner Debate (May 3, 2006):

## Young Innovative Company (YIC) Status

*“BOOSTING INNOVATION IN EUROPE”*

### *“Building Europe-wide support for Young Innovative Companies”*

Europabio brought together a broad range of MEPs, officials and diplomats in Brussels on May 3 to set out the case for EU-level support for start-up companies. The dinner-debate provided a close-up view of the French scheme for backing Young Innovative Companies (YICs), and won firm agreement among the audience that a Europe-wide initiative should be pursued.

**European Parliament Vice-President Alejo Vidal-Quadras Roca** said that the Young Innovative Company concept could become the "efficient tool the EU urgently needs to boost competitiveness." He recognised the urgent EU need to boost competitiveness, to allow Europe to respond to the challenges of globalisation, technological change and demographics. The answers lay in higher GDP and higher employment rates, but governments were reluctant to accept structural reforms and the sacrifices necessary to achieve them. The refusal to admit we need to work more and better is aggravating the problem, he said.

He saluted the Young Innovative Company scheme as a valuable initiative in the right direction. And he made it clear that its development needed active support. Whether the scheme can achieve formal status at EU level depends on "whether we put our minds to it or not." But for his part, he hoped "we soon have clear and visible legislative results".

**MEP Pilar del Castillo Vera** offered her congratulations on the Young Innovative Company initiative. She also endorsed the message that the only solution for the EU in a global market is innovation: "It's innovation or nothing", she said. Lamenting the

slow progress on the EU's Lisbon agenda for reform, she pinpointed insufficient private investment in research as one of the principal impediments – largely, she said "because we have the wrong environment for investment". The only way to build Europe is through prosperity, she argued, and the only way to induce people to identify with the EU is by creating an effective, large and vigorous market.

**MEP Britta Thomsen** underlined the need for incentives for the sort of innovation that requires long periods of commitment. She applauded the Young Innovative Company approach of offering tax credits and other incentives to overcome the lack of early funding. "This is likely to bring a boost to research", she said. "It should be extended across the EU".

**MEP Alyn Smith** agreed that despite the EU's undoubted potential, "we are not realising it". The Young Innovative Company initiative is "worth a shot", he said – and particularly attractive "because it is a bottom-up approach, rather than top-down, allowing EU genius to flourish on its own, and with politicians stepping back to let businessmen grow their businesses".

**MEP Lambert Van Nistelrooij** insisted on the need for the EU to "seize the future", before it was overtaken by China. "The European Parliament wants an overall approach to research, and while it voted for less state aid in general, it voted in favour of aids for research and innovation as part of the new way to run regional policy", he said.

The operations of the French scheme, in force since the beginning of 2004, were detailed by the two leading figures behind its emergence. **Europabio Vice-President and Honourable Chairman of France Biotech, Dr Philippe Pouletty** said: "Investors don't want to waste their cash on high-risk businesses if much of the investment is going to be absorbed by administrative and employment costs".

The Young Innovative Company is a partial response to the need for investment, offering tax exemptions so that companies doing research can make best use of the money at their disposal, he explained. It is attractive to any venture capitalist precisely because it is not a complex scheme, and its business advantages are clear. And it can overcome the limited possibilities that young companies have in most EU countries to access capital - so they grow only slowly, and the economies that depend on smaller companies for their growth also suffer.

"We are helping create a system in which the cash can be used to pay for scientists and for opening subsidiaries of growing businesses," Dr Pouletty told the meeting.

And **Dr. Pierre-Noël Lirsac of the French Ministry of Economy, Finance and Industry** said the scheme's exemptions from social and employment taxes for promising start-up companies were fostering innovative research. A Young Innovative Company with 20 staff can qualify to have 30% of its social charges paid through the scheme. To qualify, companies must be small, less than eight years old, spend at least 15 per cent of turnover on research, and be independent.

**Dr. Johan Vanhemelrijck, Secretary General of Europabio**, closed the meeting with a strong call for support for the concept as a way to boost innovative biotech firms. "We are asking the Parliament to help create an EU-wide status for the Young Innovative Company. We need an EU definition for it".

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