

WRITTEN QUESTION P-3444/06
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to the Commission

Subject: Leveraged buyout funds

According to the European press, the Commission has requested the industry to make recommendations on the alternative investment market. In the report published by the European Commission, the industry does not once mention the fact that the leveraged buyout funds ('LBO'), hence the name, finance their acquisitions with leverage, despite the impact of this business model on macroeconomic and financial stability as stated by market analysts including the Bank of England. A few numbers are illustrative.

1. According to Mergerstat total European merger and acquisition (M&A) activity in 2005 was €694.5 bn.
2. In 2005, the total value of European buyout deals totalled €116.5bn showing a 43% increase on 2004. All available figures this year show that this trend will only continue in 2006.

A simple comparison of 1 and 2 shows that LBOs are taking up a big part of European mergers and acquisitions - up to 1/5 of total M&A.

Two years ago the average debt load of European raising leveraged finance was four times company earnings. Now the average ratio is almost six times, according to Standard & Poor Leveraged Commentary and Data. This ratio appears to be increasing. As a consequence, an ever-increasing number of companies will face heavy debt burdens, which can hamper the companies' social and growth performance. This fact needs to be considered when assessing the financial markets. However, due to the secretive nature of the LBOs, the information on LBOs is very difficult to access for the public. It would be important to know whether the Commission has an exact overview of this developing market and the impact of the market on the European Union's Lisbon agenda, when drawing up its conclusions on this market and preparing its impact assessment.

Does the Commission have full information at its disposal, including: a list of European companies acquired by LBOs; number of employees affected; main sectors affected; job creation/restructuring; debt burden; and financing for innovation; and how many of the LBOs operating in Europe have their headquarters located in tax and company regulation havens?

Could the Commission share this information in a transparent manner in order for the public to have 'a rational and dispassionate debate' as requested by the industry?