



FEDERATION OF SMALL BUSINESSES

2007 Manifesto

Northern Ireland Assembly Election



“Thinking **BIG** for Business”



INTRODUCTION



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FSB POLICY CHAIRMAN

Northern Ireland requires stable, joined up government if it is to build the economic prosperity that its population deserves and it is our hope that after the Assembly election we will have this.

There is an illusion that all is well with the Northern Ireland economy. Unemployment is low, consumer spending is strong and the peace dividend is attracting more and more 'brand names' to the province.

However, this masks the fact that the economy needs to grow and modernise its private sector, readdressing the balance with the public sector. The historical reluctance of private businesses to invest in the province

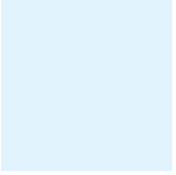
has meant the public sector has been the principle source of job creation, creating a legacy which now needs to be addressed. There are also worryingly high levels of economic inactivity, unacceptable levels of business crime and ever increasing business costs and red tape requirements.

Northern Ireland cannot afford to be inward looking in its approach to economic development. For example, we are benefiting from an ever-increasing number of economic migrants; there are ever growing economic links with our neighbour in the Republic of Ireland and, like other regions, our businesses are facing the challenges that come with globalisation.

With such factors in mind, the government needs to work with the business community by creating the conditions to match the needs of enterprise. To assist, the FSB has produced a Manifesto for Northern Ireland, setting out our priorities and how they can be addressed for all those seeking election to the Assembly.

SUMMARY OF RECOMMENDATIONS

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- 2 CREATING THE RIGHT INFRASTRUCTURE FOR AN ENTREPRENEURIAL ECONOMY.
- 3 CREATING A LOW TAX, LOW REGULATORY ENVIRONMENT.
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SUMMARY OF RECOMMENDATIONS

SMALL BUSINESSES AS EMPLOYERS

- **Employment legislation:** those compiling legislation must take into account the needs of small business and recognise that a 'one-size-fits-all' policy is not suitable.
- **Developing healthy workplaces:** healthy employees increase productivity. There should be greater incentives for businesses to provide help for their staff, matched by an increase in co-operation between the medical profession and businesses.
- **Payroll:** there should be a reduction in requirements for businesses to administer benefits, which inevitably increase the administrative burden placed upon them.

CREATING THE INFRASTRUCTURE FOR AN ENTREPRENEURIAL ECONOMY

- **Skills and Training:** the creation of a flexible training system meeting the needs of business is imperative, underpinning any strategies to regenerate the Northern Ireland economy.
- **Transport:** to meet the needs of business the transport network must be modernised after many years of under investment. The FSB is opposed to the introduction of Road Tolling and Congestion Charges, which would be yet another cost on doing business. The FSB does support innovative approaches where cost effective, such as the Rapid Transport System in the Greater Belfast Area, which would have potential benefits for both the local working population and the tourism industry.

- **Water Charges:** The FSB is opposed to the introduction of water charges. This is yet another cost on doing business.
- **Research & Development:** there is a greater need to stimulate Research & Development and innovation amongst the small business sector through incentives.
- **Environment:** requirements in this area are increasing. There must be services available for businesses, financial and advisory, enabling businesses to meet their obligations in this area.
- **Planning Service:** there should be a review of the relationship between the planning service and business community. Often planning is cited as a barrier, and requires a more straightforward and practical approach.

- **Retailing in Northern Ireland:** this sector requires regeneration to meet the changes in shopping habits. The building of out of town centres should cease and concentration placed upon revamping town centres and arterial route networks.

CREATING A LOW TAX, LOW REGULATORY ENVIRONMENT

- **Corporation Tax:** there should be a harmonisation in the tax rate with the Republic of Ireland, as an encouragement to Foreign Direct Investment and assist indigenous businesses.
- **Business Rates:** the creation of a Rates Reinvestment Fund would offer businesses the opportunity to reinvest savings to modernise or expand. All businesses pay rates and this model would complement the Corporation Tax proposal as a stimulant for business improvement.

- **R&D Tax Credits:** the widening of this credit would serve to improve the number and range of businesses availing of the opportunity to engage in research and development programmes.
- **Red Tape:** the minimising of the administrative burden is essential. The work of reducing regulation must not be nullified by a growth of new legislation
- **Banking:** small businesses must benefit from competitive banking services.

A SAFE, LOCAL ENVIRONMENT FOCUSING ON BUSINESS

- **Business Crime:** a major problem which requires the co-operation of business groups and authorities. A definition of the term, followed by Key Performance Indicators, will help to monitor performance. There must then be practical measures to help businesses combat crime.

GOVERNANCE IN NORTHERN IRELAND

- **The role of the European Union:** the creation of a consultative forum will provide a focus whereby business issues can be raised with the stakeholders.
- **The role of the Assembly:** there must be effective channels of communication to ensure a dialogue between Government and the business community.
- **The North – South Dimension:** there should be increased co-operation in areas which make economic sense.



SMALL BUSINESSES AS EMPLOYERS

EMPLOYMENT LEGISLATION

Increasing employee flexibility brings benefits to family life and allows them to be more in control of their working day. It also gives employers the ability to respond rapidly to seasonal fluctuations in demand and changes in the economic environment.

Employers are aware and understand the need for their workers to enjoy a healthy work-life balance, but small businesses often feel that the pressures they face as a result of the employee friendly agenda are not recognised or adequately taken into account.

As a result of increased employment legislation many businesses are now reluctant to take on employees. The recent FSB Employment survey showed that 35 percent of FSB members have chosen not to employ anyone, considering “employees as too much of a risk”.

Employment legislation needs to take into account the realities that small businesses face. It is unrealistic to adopt a ‘one size fits all’ approach to labour law policy, assuming that the needs of small and large businesses are the same.

DEVELOPING HEALTHY WORKPLACES

It is prudent for small businesses to ensure that they have healthy employees. Time taken off due to illness means loss of productivity,

which in turn has major implications for the typical small business in its ability to function.

The FSB has published a comprehensive analysis of health needs through its ‘Health Matters’ policy document. Small businesses need incentives to enable them to promote healthy workplaces and provide occupational health support to their staff. An important part of this is reduced Employers Liability Compulsory Insurance (ELCI) premiums in response to good workplace health and safety practices.

GPs and other health professionals need more effective training on occupational health and access to services via GPs surgeries should be developed. A better understanding between GPs and businesses should be fostered with GPs taking into account the demands of a business and offering more straightforward advice on fitness for work in the medical certificate.

PAYROLL

There has been an increase in the administrative burden placed upon businesses as employers are often sought to administer the range of statutory employee benefits and deductions.

The cumulative burden severely impacts on the business’ administrative work. We urge that a stop is put on using employers to administer statutory employee benefits. While employers accept

administering tax and national insurance contributions, expecting them to do more than that creates an unfair burden.

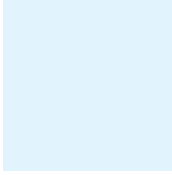
CREATING THE RIGHT INFRASTRUCTURE FOR AN ENTREPRENEURIAL ECONOMY

SKILLS AND TRAINING

The education system needs to be tailored to respond better to the needs of local employers, with an emphasis on flexibility and practicality. The substantial progress made by Northern Ireland’s further and higher education colleges should be built upon to create a truly world class education system which will meet Northern Ireland’s future requirements. It is this system which will underpin any economic regeneration.

To meet the needs of small businesses, there should be increased provision of workplace-based training packages, ideally with ‘bite-sized’ courses targeting specific problem areas. These can be best identified when professional assistance is offered to small businesses to identify their training needs requirements. As businesses identify their skills gaps, specialists in this field are best placed to assist and deliver tailored solutions to meet the challenges.

A reformed apprenticeship system should have an effective, streamlined management line at its core, and be supported by sufficient funding streams. The system should be tailored to produce ‘career path



apprenticeships' – intensive, practical training, supplemented by theory learning at a local college.

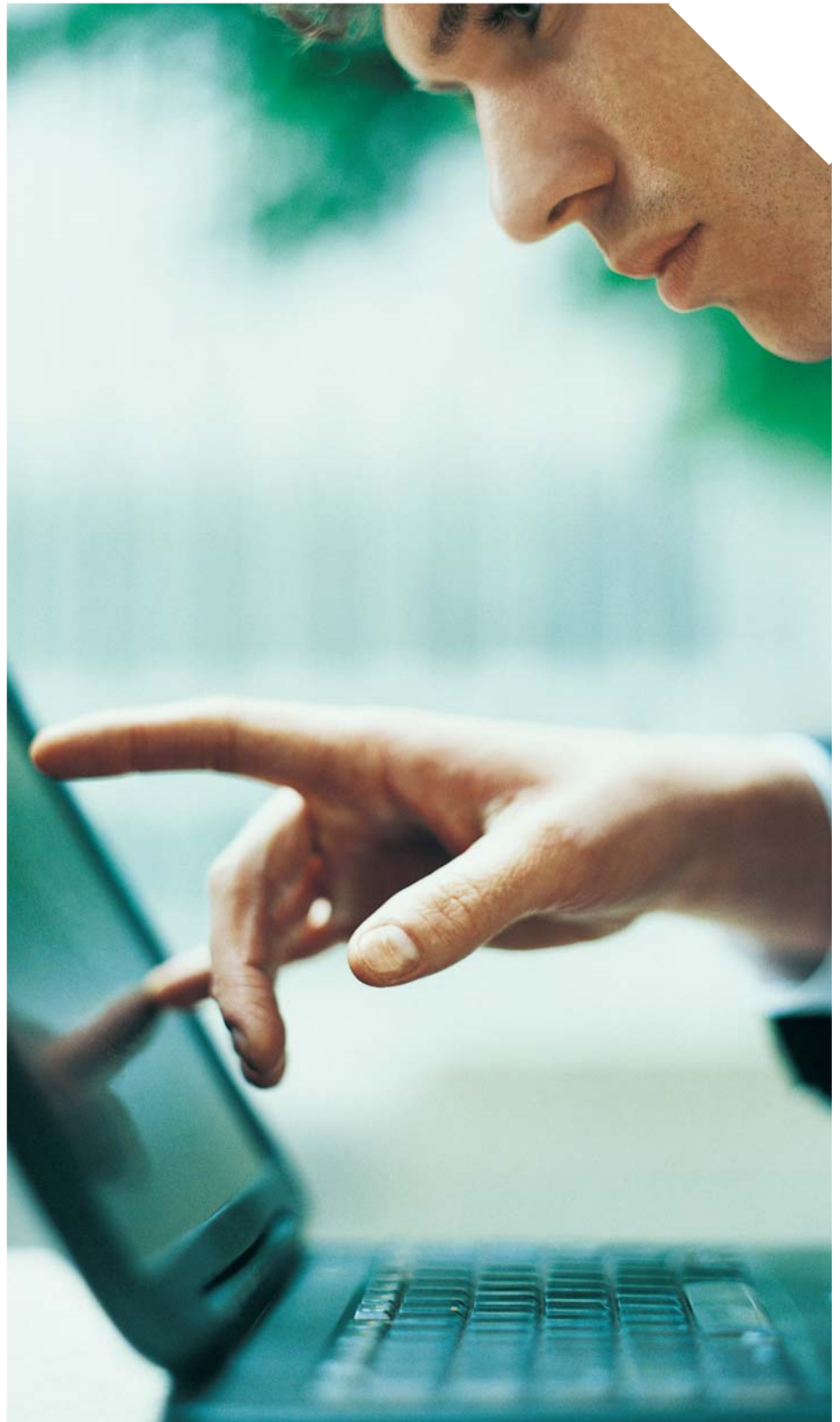
As well as providing this pathway system for new entrants, there should be greater emphasis placed upon the upskilling of the existing workforce. Career development is an important motivation tool, and where feasible, employees should be offered the opportunity to progress through Continuous Professional Development-type programmes, combining practical and course based learning.

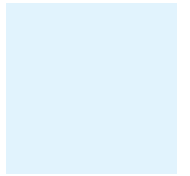
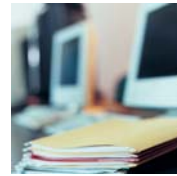
Small businesses require staff well grounded in the basics as they do not have the time or resources to teach new employees the basics including numeracy or literacy. It is essential the school system has as its guiding ethos, that school leavers are ready to leave the education system fully equipped to contribute to the workforce, failure to do so means small businesses having to pay again for the failed delivery of public services.

The FSB would like to see the introduction of entrepreneurship into the school curriculum, this would identify those, at a young age, who have the natural flair and desire to follow this as a career path, and can be mentored in this direction.

TRANSPORT

For businesses, reliable transport is an integral part of their survival. Small businesses depend on transport, both private and public, in order to deliver goods and services reliably





and cheaply to the market. It is also crucial for employees and customers to be able to reach the business in the same fashion.

The transport system in Northern Ireland has suffered from years of under-investment and is unable to deal with increasing volumes of traffic. There needs to be an increased allocation of resources for road and rail infrastructure as part of a strategic approach to relieve congestion while minimising the effect on the environmental surroundings.

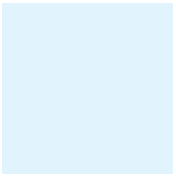
ROAD TOLLING AND CONGESTION CHARGES

The Government, in the Queen's Speech, has clearly indicated that it intends to look at introducing Road Tolling and Congestion Charges in Northern Ireland. The FSB are completely opposed to the introduction of such charges. The FSB Transport Survey, published in January 2007, revealed that businesses were particularly concerned at a further unavoidable extra cost would be placed upon them. As road travel – often at peak times – is essential for many small businesses, any measures to reduce

congestion are unlikely to change the travel behaviour of most businesses. In addition the basic premise of road pricing – encouraging people to make fewer non-essential car journeys – simply does not apply to small businesses. Those formulating this policy must take this into consideration.

RAPID TRANSPORT SYSTEM

The proposals for a Rapid Transit System in Belfast are welcomed by the FSB. If shown to be economically feasible, the introduction of this system would considerably enhance the quality of infrastructure in the



Greater Belfast region, and benefit both the local economy and facilitate prospective increased tourist numbers. However, the introduction of such a system should not be used as a cover for the introduction of the aforementioned road charging.

WATER CHARGES

The FSB remains completely opposed to the introduction of Water Charges. Small business owners will be paying twice, at their home and their business premises and as all parties have indicated that they are opposed to Water Charges, we expect them to honour this commitment in Government.

There is a need for a correction of the years of under investment in infrastructure as a whole by the Government, and specifically a need for improved water and sewerage services. To achieve this will require a strategy involving significant cost. The method of implementing these improvements must be fair and not be an additional burden.

There is genuine concern that with Northern Ireland already having the highest business costs in the United Kingdom, the introduction of another will increase the burden further, and actually reduce competitiveness at a time when the opposite is very much required.

RESEARCH & DEVELOPMENT

There is a great deal of potential for growth in Research & Development in Northern Ireland. Currently, the majority of small businesses do not

engage in this area, and often cite cost implications as a major barrier.

The challenge of becoming a strong, competitive knowledge based economy demands that there is a stimulation of innovation throughout society and not just in existing centres of excellence. Small businesses in Northern Ireland need help identifying and managing innovation - the exploitation of new ideas and new ways of working that lead to tangible and beneficial change.

Policies to encourage greater innovation need to be linked to fostering a greater enterprise culture in Northern Ireland. At present, innovation funding doesn't catch the majority of businesses and tends to neglect the vast majority of businesses that do engage in the relatively basic innovation and knowledge acquisition. We are supportive of policies to foster growth and R&D in businesses, but these initiatives only target a very small proportion of the established small business population. There is potential for business growth and significant productivity gains if we can just harness the potential that small businesses offer.

ENVIRONMENT

Environmental concerns are rising to the top of the Northern Ireland policy agenda. As legislative requirements in this area increase it is essential that the business community is equipped to deal with them. There is a need for pro-active engagement, working with businesses to ensure they are fulfilling

their responsibilities and adapting their businesses to the new conditions.

If the business community is to be stimulated towards the environmental agenda, and micro-renewable businesses are to be supported, it must be ensured that barriers are lowered as far as possible. The recent introduction of grants to households as encouragement for the uptake of renewable energy should be extended to small enterprises to encourage their take up of such innovations.

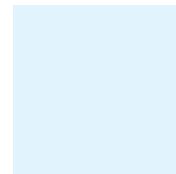
The FSB supports the development and take up of low carbon vehicles and fuels. The switch to low carbon transport is vital to addressing many of the concerns posed by road transport.

PLANNING SERVICE

There is a need for a review of the Planning Service and its relationship with the business community. Planning issues are frequently raised by businesses as a negative factor and in many cases become a barrier to trade. There is a need for a greater degree of flexibility and transparency in the planning process.

RETAILING IN NORTHERN IRELAND

The FSB recommends an immediate review instigated of the retail sector in Northern Ireland. As more and more cases are revealed of small businesses becoming casualties of the change in retailing habits, an action plan is urgently required to



protect those remaining, and encourage ways to regenerate the sector. For example, the various arterial routes, which were once a central focus for the independent retail sector, have been neglected for a considerable time. A combination of investment and active co-operation from the business community, should act as a stimulus in this particular area.

In addition, as part of an increased emphasis on reinvigorating the province's town centres, there should be an immediate moratorium on the further development of 'out-of-town' shopping centres and address the problem of car parking in town centres. The huge parking facilities available to 'out-of-town' centres increase their attractiveness and make it very difficult to compete. Therefore, town centres need to develop their own marketing strategies selling their benefits and individuality.

CREATING A LOW TAX, LOW REGULATORY ENVIRONMENT

CORPORATION TAX

Whilst it is recognised this is not a devolved issue and it is not in the power of the Northern Ireland Assembly to alter Corporation Tax rates, Northern Ireland is in a situation where innovative solutions are required. This is one such option that should be considered as a tool which will attract both Foreign Direct Investment and encourage the indigenous business community.

The FSB supports the campaign for harmonisation of the Corporation Tax rate with the Republic of Ireland. It is acknowledged that there are difficulties in relation to both HM Treasury and European Union regulations. The Rate Reinvestment Fund proposal suggested by FSB would complement proposals for harmonisation of Corporation Tax.

BUSINESS RATES

The FSB has highlighted the need for a fair and equitable rating system in Northern Ireland. Rates are usually the third largest expenditure after wages and rent for a typical business and therefore have a significant impact. In keeping with its submission to the Department of Finance & Personnel Review of Rating Policy, the FSB recommends that a Non Domestic Rate Payers Forum is established in line with the rest of the UK.

Northern Ireland is the only part of the United Kingdom which does not have a Small Business Rates Relief Scheme. Ironically, it is this region which is most dependant upon small business as the driver of its economy, and if the economic situation is to be improved, then measures will need to be implemented which benefits this sector.

One such option is the establishment of a Rate Reinvestment Fund which would offer qualifying businesses a rates reduction of up to 50%, and funded out a Treasury Funded Financial Package for Northern Ireland.

The purpose of such a fund is to provide a basis to encourage businesses to reinvest their savings into their businesses, offering an incentive to expand and modernise. To qualify they must demonstrate clearly how their businesses would benefit. To maximise the benefits, FSB has recommended that RRF be in place for up to ten years. It may be possible to instigate reviews during this period to assess effectiveness and analyse economic impact.

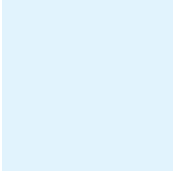
The FSB has also recommended that the Manufacturing Rates are frozen at 30%. This would assist manufacturers with greater cost stability as they respond to the current challenges.

It is intended that the introduction of this fund serve as a stimulus to the local economy, complementing the aforementioned Corporation Tax proposal. All businesses pay rates and therefore this is a plan which will benefit businesses of all sizes, and both the indigenous business community and prospective inward investment.

R&D TAX CREDITS

For small businesses that apply for R&D funding the success rate is too low and R&D tax credits have not managed to reach the smallest businesses. A recent FSB survey found that 65% of respondents were not aware of the R&D tax credit.

The FSB welcomes the improved guidance now published. However, there is concern that the tax credit



is limited to incorporated businesses and therefore misses other forms of small business structures. It is also arguable as to whether it encourages R&D in businesses that may not have otherwise invested in R&D. There should be an extension of R&D tax credits to all businesses regardless of legal structure.

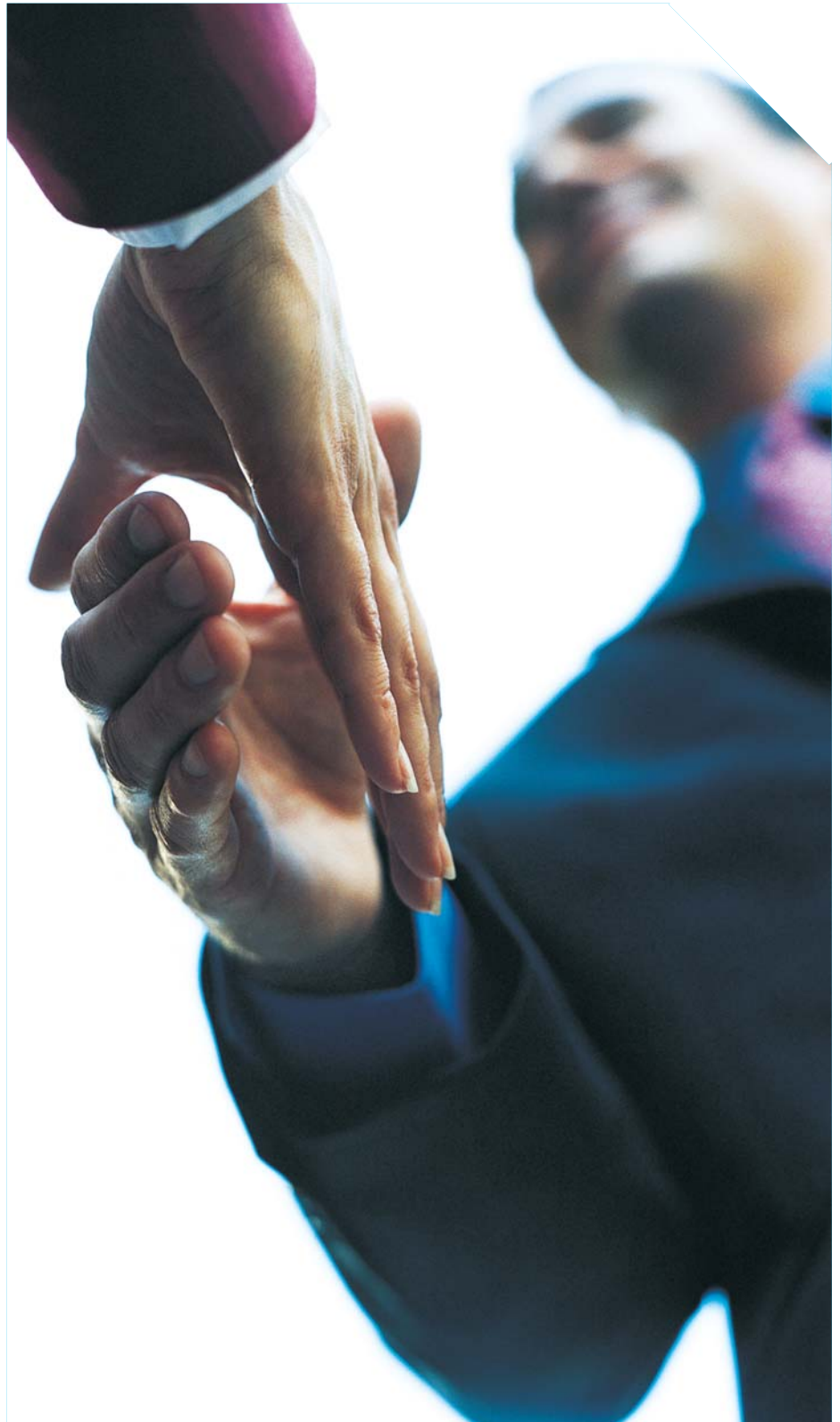
RED TAPE

New legislation continues to increase the burden upon businesses, which in turn hampers their ability to grow and diversify. Small businesses are disproportionately affected because, unlike larger businesses they do not have a Human Resource department to manage legislative changes and adapt their policies.

The ongoing work towards better regulation is welcome but those regulations that are removed must not be replaced by new streams of legislation thus nullifying the net benefit to businesses.

BANKING

It is important that small businesses benefit from the efficient and competitive banking services. The FSB would like to see a review into current small business banking provision, examining the current marketplace and identifying how to strengthen this area.





A SAFE, LOCAL ENVIRONMENT FOCUSING ON BUSINESS

BUSINESS CRIME

The 2006 FSB Barriers to Growth survey identified the province as having the highest level of business crime in the UK. Crime is now recognised as being one of the main barriers to running a successful business.

The Police Service of Northern Ireland and Government have acknowledged business crime as an area of concern, and the FSB is encouraged by the recent action to make progress in combating this threat.

A formal definition of 'business crime' must be agreed and adopted by the authorities. Following on, the FSB believes that Key Performance Indicators could be implemented as a tool to monitor recorded levels of business crime and serve as a gauge to the performance of the PSNI in tackling the problem. These results would also be useful when identifying budget priorities.

The Youth Conference Service offers an innovative approach to dealing with offenders. There should be a commitment to expanding the work of this service in light of the positive impact it is having upon young offenders, offering business owners the opportunity to participate in the process.

The Organised Crime Task Force has identified the threat of organised crime as presenting an ever growing

danger to the business community. Its various forms are undermining businesses and there is evidence that it is becoming more sophisticated.

Coupled with this cross border business crime is undermining many legitimate businesses, and it is essential that an effective cross-border strategy is implemented to combat the growing threat from criminals.

The FSB has proposed a series of measures which would provide assistance to many small businesses struggling to cope with the costs of crime in its policy document, 'Cracking Business Crime in Northern Ireland'.

- The offer of 100% tax relief for investment in security systems
- Planning applications should be relaxed to allow businesses to install CCTV, shutters etc or any other security measure enabling them to protect their premises
- The establishment of a business crime compensation scheme

GOVERNANCE IN NORTHERN IRELAND

THE ROLE OF THE EUROPEAN UNION

The FSB policy document 'Think Small to Think Big' highlighted the issue of the ever increasing influence of European Union legislation. The FSB wishes to see the establishment of a Consultative Forum on the

European Union, bringing together the various interests among the wider Civic Society and other key players in the European Union arena in Northern Ireland.

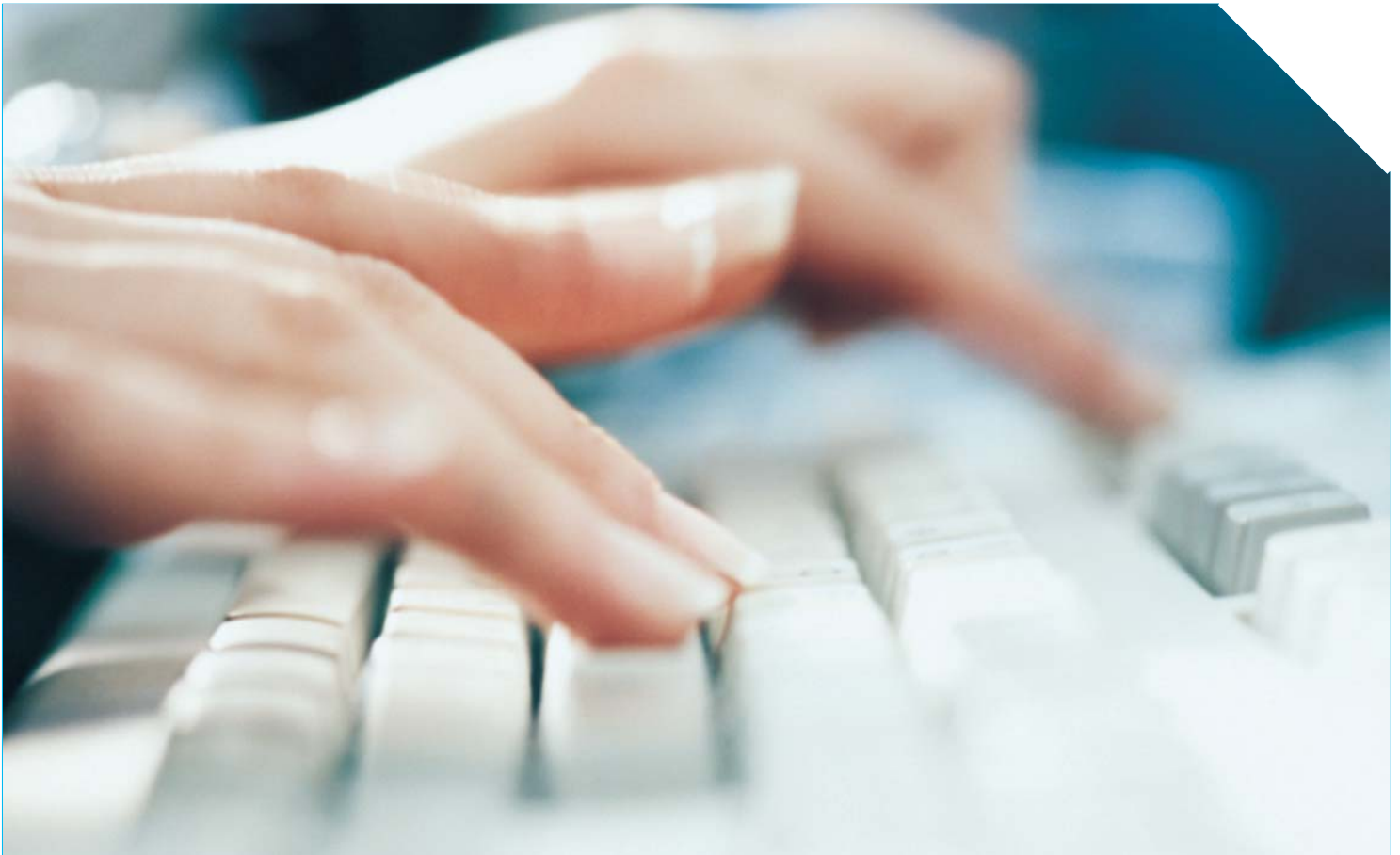
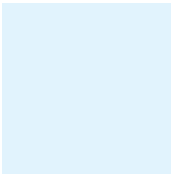
THE ROLE OF THE ASSEMBLY

95% of all businesses in Northern Ireland employ less than ten people. This accounts for a large proportion of the economic activity of the province, and therefore the Northern Ireland Assembly has a central role to play in addressing the many issues which concern the business community. The FSB would like to see effective channels of communication be implemented to ensure that dialogue between the two be maintained on a regular basis and businesses have a practical role to play in the policy making process.

The FSB recommends that the Northern Ireland Assembly and the Irish government continue to develop cross border economic strategies. To succeed this co-operation should be both transparent and cost-efficient, drawing upon expertise from a wide group of stakeholders.

The NORTH – SOUTH DIMENSION

The economic relationship between Northern Ireland and the Republic of Ireland is important. Approximately 90% of all businesses on the island as a whole are small businesses and therefore this sector has an enormous role to play in the development of strategies to deliver growth and stability. There are many issues, including European Union funding, Corporation Tax, and



banking, where co-operation between Northern Ireland and the Republic of Ireland is both sensible and mutually beneficial.

The FSB welcomes the moves to create a Single Electricity Market, which hopefully will deliver significant improvements for small businesses. However, to be effective this market must be efficient and fully competitive. This is an example of practical co-operation in action and the FSB recommends that this joint work be extended to other areas of energy such as an all-island gas market, as well as cooperation on renewable energy, energy efficiency

and energy research.

Cross-border economic trade can only be maximised if the infrastructure exists to facilitate it. The Investment Strategy for Northern Ireland offers considerable potential for local infrastructure, and there has been considerable progress in this broad area over recent years. This work should continue.

There are many examples where cross border co-operation can provide practical benefits. For example, an immediate area is the continuing cost burdens of mobile phone roaming charges. A recent

FSB survey of members who live and work in the border area showed that this was damaging business in the region and causing much inconvenience to those affected by the charges.



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