



FEDERATION OF SMALL BUSINESSES

European Elections 2009 Northern Ireland Manifesto

Think Small First



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Foreword

The last five years have seen a massive shift in the way small businesses are perceived in the EU. The small business community and the contribution it makes, is finally being recognised.

There are some 23 million SMEs in the EU, providing around 75 million jobs and accounting for 99 per cent of all enterprises. In some industry sectors they contribute up to 80 per cent of employment.

With increased recognition has come a re-evaluation of regulatory burdens on small businesses and the progress is encouraging. Legislation has been scrapped, proposals shelved and the Small Business Act has been adopted but we are only at the beginning.

Over the next five years, these reforms need to be embedded in everyday working practices, not least because EU economies cannot afford additional layers of regulation during this time of economic crisis. With this in mind, the Federation of Small Businesses is particularly keen to ensure that the UK does not enter the Euro.

The revival of the EU's ailing economies will need more than just a cut in regulation. Urgent action needs to be taken to help small businesses to survive, move forward, generate employment and take us out of recession.

Incoming parliamentarians face a formidable array of challenges ranging from reversing economic meltdown to halting climate change but the Federation of Small Businesses is here to help.

We believe that small businesses can help overcome the challenges faced in these uncertain times. Given the chance, small businesses can even turn these challenges into opportunities.

This publication outlines some practical steps that parliamentarians can take to make a positive difference.

Tina Sommer

Chairman European and International Affairs

Foreword by the Northern Ireland Policy Chairman

The 2009 European Election comes at an extremely important time for Northern Ireland, as we endure the effects of the global economic downturn - the first serious economic challenge for the recently restored devolved Assembly.

The FSB has consistently called for a closer working relationship between those elected to the Assembly and those elected as MEPs to ensure that the local business community receives maximum support in EU-related matters. We are delighted to see progress in this area but there is much work yet to do.

Northern Ireland has benefitted greatly from the European funding programmes over the past decade. This funding has delivered many excellent and vibrant projects, which have made a real difference to local communities.

However, given the uncertain times we now live in, the FSB would encourage a forward thinking economic focus in future programme initiatives.

This is one of the most effective ways to deliver stability and prosperity, through economic activity, empowering many more to become self employed and taking advantage of the wealth of business opportunities that the 'new' Northern Ireland offers.

I would conclude by reminding the business community of the huge influence the EU has in business and development in Northern Ireland and would appeal to decision makers to ensure that their directives are communicated clearly and timely to businesses in order to ensure they can meet their obligations.

Put simply, we would ask them to 'think small first'.

Wilfred Mitchell OBE

Chairman, Northern Ireland Policy Unit

Global Recession – What can the EU Do?

The UK, Europe and the world is in the midst of a recession, the depths of which we do not yet know.

The FSB believes the EU has an important role to play in tackling the downturn and has proposed practical measures that could help many small businesses through the bad times.

It is worth remembering that if 50 per cent of small businesses in the EU employed one extra person there would be an additional 10 million jobs. The more small businesses we save now, the more jobs we will be able to create on the other side of the recession.

The FSB wants to see immediate EU action in three areas:

1 Moratorium on regulation

In the United States, the average period of time between losing a job and finding a new one is four weeks, in the EU it is six months. Regulation in the EU has made the jobs market too rigid.

The FSB is not anti-regulation. We supported the introduction of the National Minimum Wage. However, it would be sensible for the EU to declare a moratorium on all employment and business regulation for the duration of the recession¹.

2 Increase access to finance

More needs to be done to ensure the proposed £4 billion EU rescue package for small businesses reaches the sector. The FSB has proposed that Regional Development Agencies apply for funding from the European Investment Bank (EIB)², and that the Northern Ireland Assembly examine options to improve access to European funding for small businesses.

Much needed finance for small businesses is available through the EIB but only the banks have sought to access funds. We call on all candidates in the European Elections to put pressure on their RDAs to apply for funds that could then be passed to struggling small businesses.

3 Retention of profits

Retention of profits is the most suitable means of accumulating funds for investment and expansion. Leaving funds in the company untaxed, will provide some of the funding that is so hard to come by in these uncertain times.

The FSB wants to see tax-free retention of profits for investment, innovation and expansion. This is the simplest and most effective way to improve the balance sheet of small companies.

¹ Research conducted by the FSB revealed that in the UK alone, a delay in passing new laws could save small businesses nearly £800 million a year for the duration of the recession.

² The FSB proposes that the government purchases EIB money and makes it accessible to small businesses through Regional Development Agencies (RDAs). It has been made clear by the President of the EIB that institutions which do not operate within the banking industry can borrow funds. The precedent has been set for this type of arrangement by the EIB and regional bodies with Castilla-La Mancha in Spain receiving EUR 200million.





EU Regulation – Make Less and Make it Better

Regulation is the bugbear of every business owner but as anyone in business will tell you, predicting the future is the key to success and having a level playing field is essential.

It's not just regulations and directives that are causing problems. The proliferation of standards increasingly restricts small business activities and increases their costs.

Surprise changes and additions to regulatory burdens are at best time-consuming and costly, at worst they can lead to job losses and business failure.

The FSB wants all NI MEPs to commit themselves to a simple five step approach for improving the way legislation is made.

Five steps to better regulation:

1 Make less and make it better

Article 137 of the European Treaty requires the EU to avoid passing social laws which hold back the creation and development of small businesses.

We expect our MEPs to stick to this treaty provision.

2 Be accountable for your actions

Legislators should not legislate until they know the consequences of their actions. MEPs should automatically reject any Commission proposal put to them without a full impact assessment.

MEPs should also put their own houses in order and conduct impact assessments when their own amendments make significant changes to proposed legislation, as they said they would in 2003.

The FSB also believes that the creation of EU standards should not be used as an alternative legislative route. This lacks the legitimacy and accountability of a transparent democratic process.

3 Be consistent in your approach

The inconsistent application of EU laws robs small businesses of a level playing field and all too often puts NI and UK firms at a disadvantage.

MEPs should insist member states abide by their 2003 agreement to publish conformity tables when transposing EU Directives.

4 Stop 'gold-plating'

'Gold-plating', the UK practice of turning innocuous EU directives into business-wrecking, job-crunching tomes of bureaucracy, needs to stop.

The stock-in-trade of too many civil servants it seems, MEPs should do their bit to stamp out gold-plating.

MEPs should play a more active role in communicating EU Directives once transposed. They should work with their NI counterparts to hold government departments to account and guard against 'over-implementation'.

5 Speak plain English

Very few small business owners have law degrees, so it is important that legislators legislate in plain English if they want to be understood.

We expect MEPs to cut out the Euro-jargon and campaign for the use of plain English in the implementation of EU regulations and directives.



The Single Market – Keep it Open for Business

Recession has raised the spectre of economic nationalism and, at face value, this might not seem like a bad idea. Healthy economies are built on the strong foundation of successful small businesses serving local communities.

However, this is no justification for protectionism and now is not the time to run away and hide. History teaches us that protectionism hits the smallest businesses hardest and only serves to deepen recession. Let's not go there again.

There is more reason now than ever to push on with opening up the Single Market.

In case we forget in these troubled times:

- ***The Single Market is worth £20 billion annually to the UK***
- ***Approximately 3 million jobs are linked to EU exports***
- ***The Single Market has led to a massive increase in foreign direct investment***

The Single Market is a remarkable success story, but small businesses have yet to share in its benefits. Only 21 per cent of UK small businesses conduct business in other member states.

The FSB calls on MEPs to face down protectionist tendencies and to open up the Single Market so that we can all participate and share in its benefits.

Measures to open up the Single Market

Make the Services Directive a success

MEPs have a role in promoting the possibilities opened up by the implementation of the Services Directive.

The FSB also wants MEPs to monitor and hold to account those countries that fail to live up to their promise to allow access to their service markets.

Open up public procurement to small businesses

The US has driven forward growth in its small business sector through public procurement, a percentage of which is ring-fenced for small businesses. The FSB believes the EU should do the same.

We want MEPs to champion the opening up of EU public procurement markets to benefit the small businesses in their Euro-Regions.

A European Private Company Statute

The high costs and various administrative requirements of operating in other member states prevent many medium sized businesses from operating across EU borders.

MEPs should simplify the legal framework and allow for businesses to be established and run across borders under the same rules and principles in all member states.

The Environment and Climate Change

Responding to the challenge of climate change requires rapid behavioural change today, not ten years from now. So let's be honest, legislation is a slow and blunt instrument.

Of course sometimes legislation is necessary but harnessing the dynamism of 99.8 per cent of the business community is a faster and surer route to sustainable development.

Small businesses work to shorter time scales than the parliamentary process and they quickly evolve and innovate to suit market pressures and customer demand.

In short, small businesses are catalysts for rapid change.

Therefore, the FSB seeks a new compact between the small business community and the environmental lobby in Brussels.

Environmentalists need to embrace the market and small businesses need to adopt smarter, resource efficient ways of working.

Small businesses can deliver change faster than the legislative process, but MEPs can help.

Harnessing the energy of small businesses

Plug small businesses into the National Grid

Renewable resources will increasingly contribute to our energy supply, but the decentralisation of energy generation and supply also offers huge opportunity for small firms to contribute with their innovations.

The FSB believes MEPs have their role to play.

- ***Support measures that promote innovation in renewable energies and related products to facilitate decentralisation of energy generation***
- ***Secure easy access to national grids and commercial rates paid to small energy generators***
- ***Encourage planning regulations that take account of the new energy systems and their installations***

Give us the tools to do the job

Measures passed in Brussels, however laudable, are a waste of time if they can't be implemented on the ground.

Uncertainty over definitions and failure to provide the means to comply with EU legislation costs small businesses time and money and is a major barrier to a greener economy. For example, correct waste disposal is difficult or impossible if the local authorities fail to provide appropriate facilities.

Waste and the Environment

The failure of the EU to agree common definitions for waste makes it extremely difficult for firms who need to obtain waste management licences and register exemptions. It's also a major barrier to growth in the recycling industry.

- *MEPs should introduce a consistent approach to the definition of waste throughout the EU*
- *MEPs have a role to play in ensuring that national and local authorities provide the necessary structures for small businesses to comply with environmental legislation*

All too often EU waste regulations place a disproportionate burden on SMEs compared to larger businesses. In order to protect our SMEs we need more small business exemptions in EU waste regulations.

Innovation ahead of legislation

Over 60 per cent of commercial innovations come from small businesses and it is easier for small organizations to adopt eco-efficiency.

They are also closer to the consumer and more embedded in society than other groups. Giving small businesses incentives could shorten the time to market for eco-friendly products, services and ideas.

Legislators should deploy the carrot before resorting to the stick!

- *Access to existing incentives should be simplified and promoted more widely among small businesses*
- *New incentives and tax breaks should be introduced to promote growth in the green economy*



Northern Ireland Small Business Profile

- 95% of Northern Ireland businesses employ fewer than 10 people
- Northern Ireland has the highest concentration of small businesses in the UK
- Small businesses employ 65% of the private sector workforce in Northern Ireland
- Small businesses contribute 60% of private sector turnover in Northern Ireland
- There were 132,040 businesses in Northern Ireland in 2007 (BERR)
- Of these, 130,990 (97.7%) are micro-businesses (fewer than 20 employees) (BERR)
- 54.5% (£7.35bn) of Gross Value Added (GVA) was produced by small businesses (0 – 49 employees) and a further 27.1% by medium-sized enterprises (50 – 249 employees), a total of 81.6%. (2004 NI Annual Business Inquiry)

EU Small Business Profile

- 99.8 per cent of all EU companies are SMEs
- 91.5 per cent are micro businesses
- 7.3 per cent are small businesses
- 1.1 per cent are medium-sized businesses
- 0.2 per cent are large businesses
- SMEs provide 67.1 per cent of all private sector jobs

Challenges for Small Businesses in Europe

1. Administrative and regulatory burdens
2. Access to finance
3. Taxation
4. Lack of skills
5. Access to public procurement contracts
6. Unfair/too strong competition
7. Labour law
8. Access to Single Market
9. Access to EU programmes
10. Late payments
11. Access to international markets
12. Access to information and advice
13. Instability of world economy/energy costs
14. SME definition

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