



# South West England & Gibraltar Federation of Small Businesses MEP Newsletter

## **Flooding – helping hand from the FSB**

With many small business members badly hit by flooding, the FSB has allocated £500,000 for interest free loans to help get members back on their feet.

## **And the tax man!**

The FSB welcomed the decision to learn from Foot and Mouth by allowing HMRC funds to be used by businesses to support their cash flow.

## **Looking to the future –**

So far the media has focussed on the domestic situation. Over the next weeks and months the economic impact will be realised. Apart from time and material lost to the physical effects of flooding, plus the problems of cash flow, scarce management time will be focussed on insurance claims and the like, detracting from the business.

Again, looking at lessons learnt from Foot and Mouth, the wider SW and rural economy is being hit, and in the same ways. Firstly, we are getting reports that firms who are away from the flooding and open, are losing business as people assume all are affected. Secondly, many agricultural and County shows have been badly affected by the weather. They are absolutely vital marketing tools for many SW businesses.

## **Energy – SMEs look set to get the worst of all worlds!**

Looking at the general thrust of EU energy policy, small businesses look like being in the worst possible situation.

As small businesses, they do not get the protection against unfair commercial practices that domestic users do, yet they lack the financial muscle to protect their own interests. It follows that they are unlikely to enjoy the same reduction in energy costs that both domestic and large businesses will enjoy. Yet they will still suffer from any interruption in energy supply that results from the fragmentation of the EU market.

Any business too small to benefit from an individual quote for its energy supplies, should be protected under the same legislation as the domestic user.

## **EU Staff unclear about what is a small business!**

The e-newsletter from 'Enterprise & Industry' carried the following headline on 12<sup>th</sup> July:-

*EU cuts red tape at record speed: Small businesses save time and money and the body copy began:-*

*Public limited liability companies will no longer have to order costly expert reports in cases of mergers and divisions, unless there is a demand for such reports among shareholders.*

Of course in UK eyes, a 'public limited company' is a large organisation. Seeing an EU Newsletter claim benefits for small businesses describing them as 'public limited companies' just reinforces the EU's poor image.

## **Competition, enforcement and Government action**

Government actions are particularly subject to the law of unintended consequences. When tax relief was granted to businesses taking measures to save water, I am sure the government never intended to disadvantage small UK businesses in favour of large multinational organisations – yet in practice that is what has happened. The letter below was written by one of our members to a civil servant at the Environment Agency about this situation and the review proposals.

“Thank you for asking our views. The Water Technology List (WTL) gives a significant commercial advantage to companies that sell items on it. In our case we were awaiting a decision by the Environment agency on our potential customers consent levels. This was slow in coming and by the time it did, unbeknown to us, membrane technology had been added to the WTL. This made our potential customer switch to membrane and we were informed that it was the only reason for that change.

We are a new company that received a grant from the DTI to develop a much improved sand filter that recycled water as well as the membrane system. We have no reason to believe that the performance of our system was in any way inferior to the membrane system. We also know of many instances where membrane systems have many in-service problems. We believe they usually use more energy, are less reliable and cost more to maintain. They do have the advantage of being able to produce potable water but the system we were competing with did not do this.

The loss of the contract at a time when we had invested in but not sold a better sand filter nearly put us into liquidation and was in our view an unfair badly publicized initiative that although it had the good intention of improving water recycling was in our view a gross interference by government of fair competition. If we were a larger company then I feel we could have taken the matter up as we believed the action was in conflict with European competition law.

My problem with the document you now send me is that it does not remedy this situation. The scheme should in my view reward all companies that install any equipment that meets the water recycling criteria. Market penetration and those other issues seem to me quite academic. The decision to recycle or not will be made by customers on an analyses of the alternative costs. This will be influenced by the environment agencies consent policy. Make the best technology cheaper then you will get more recycling. To this criteria could be added the need for energy conservation. “

Small businesses in the UK also had problems with the way the UK Government implemented the white goods subsidy intended to promote the use of more environmentally efficient machines. The method chosen actively discriminated against small businesses. Only businesses above a certain turnover were eligible.

State aid rules are frequently used to prevent or delay schemes which would assist small businesses. So why isn't there a similarly simple scheme to get injustices such as those outlined above reviewed?

We are likely to see a significant increase in schemes and programmes to promote resource saving and environmental protection. Unless small businesses are included, and there is an easy way to get such injustices addressed, there is likely to be a strong backlash.

## **And finally - FSB film up for an award**

The FSB's film used to launch its Brussels office, "What can small businesses do for Europe?" has been entered into the International Visual Communications Association Clarion Award. The IVCA Clarion Award is aimed at ethical communications which feature among other issues sustainable communities. The FSB's film has been entered into the competition by CTN communications, which made the film and has a good track record for winning awards. Fingers crossed!

Vivienne Rayner  
2<sup>nd</sup> August 2007