



The business people – an extension to your team

Referendum 192 report

May 2010

The Forum of Private Business is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success

We conduct research throughout the year and our quarterly *Referendum* newsletter forms part of our regular consultation with a proportion of our members; in it we ask some key questions that help define our campaigning priorities. We use the results to facilitate dialogue between our members and their constituent MPs, MEPs, and Scottish and Welsh representatives.

For the latest quarter's *Referendum*, we surveyed 5,800 of our members during the first two weeks of May 2010 to find out what they thought about the policies in the 2010 election and what their newly-mandated MPs should prioritise over the short term.

Summary of the results

63% of businesses did not see any significant impact on their business of the election process, although some felt that local candidates could have done more to understand local businesses. A minority (mainly travel agents) saw an increase in sales and some were genuinely enthused with the choice at the election, however the main impact on business was a delay in orders and sales until the political landscape was clearer.

59% felt that the policies of the Conservative party best reflect the way that their business operates, which was highlighted in the priorities that businesses wanted from a new administration (a reduction in red tape, reversal of National Insurance increase, repayment of debt and even greater use of apprenticeship/on-the-job training). 22% however felt that none of the parties understood their business and some felt that there had been limited engagement with them.

78% wanted an incoming government to prioritise the payment of the national debt to create a stable economic environment. 62% wanting tougher regulation on banks and utilities firms as the current regulators seemed unable to control industry excesses. 61% wanted tax simplification sorted out so that they could increase control of their finance and there was a feeling that corporations would have to take on a fairer burden of taxation. 56% wanted fewer regulatory changes so as their current obligations are already felt to be too time consuming and expensive.

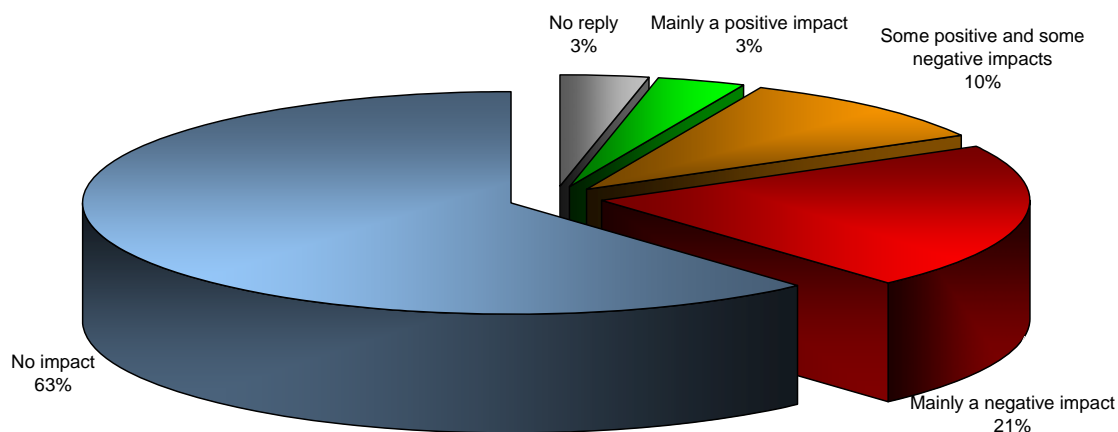
At a local level, businesses want lower business rates or at least more for their money from local taxation, this has increased significantly but the services provided have been reduced and some changes have actually be harmful to members' businesses. Business owners would like their elected representatives to champion local wealth retention through supporting local firms in procurement, planning applications and on the high street.

Rural businesses appear particularly hard hit by poor roads and the lack of a police presence, however urban and suburban businesses also report multiple burglaries and frustration at the police response.

Impact of the election on the business community

Businesses were asked if they had seen any impact from the election process and the electioneering of the candidates.

Figure 1: Impact of the election on the business community



Those who felt that there was a mainly negative impact indicated that the reason tended to be down to customers holding off orders until after the election, future planning and projects being suspended until after the election and a harder climate to sell (as consumers are wary about future tax increases). This was particularly the case for big ticket items. Businesses in general feel that the uncertainty is temporary, delaying projects rather than a more permanent cancellation of orders.

Around 15% of those who saw a negative impact felt that this was typical of the uncertainty surrounding an election.

"As soon as the election was announced, business slowed down. This has happened previously and is not a surprise, however in the current climate it is not so easy to cope with." Member comment

Most were concerned about the tax situation with others mentioning other issues such as concerns over a hung parliament, the potential impact on sterling and the possibility of a double dip recession.

Positives from the election campaign were that there was a focus on small and medium-sized businesses and an outlining of policies that, if acted upon would help smaller firms. Reduction of red tape and issues surrounding late payment were frequently mentioned. A small proportion of respondents had seen business increase in the last few months, however some felt this was because there was a lack of realism about the future portrayed by the main parties.

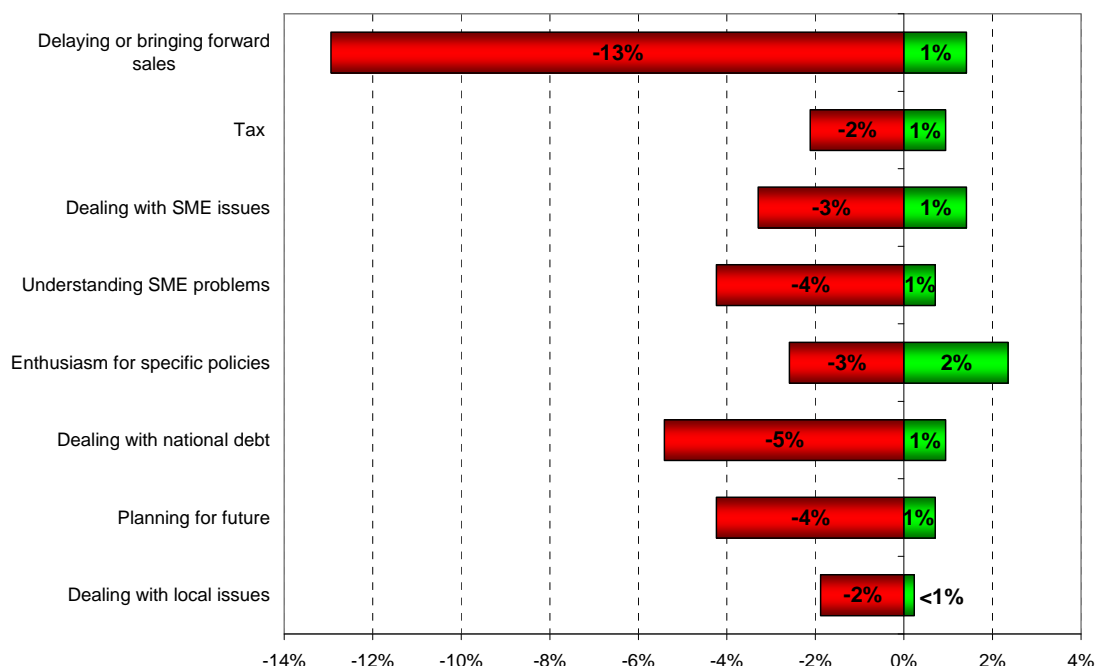
However the majority of businesses felt that they were unaffected by the election process. Those that did provide a comment indicated that the parties did not deal with the main issues, accessing finance, understanding small business and most importantly dealing with the budget deficit.

"We have learned nothing concrete on how the deficit will be funded, national cost savings of £6 billion are a joke." Member comment

These businesses also pointed out that, since the election process was unlikely to have an impact on the general economic cycle, it was unlikely to affect them

The graph below gives an idea of the impact of the election on a number of key areas. There is some overlap between the categories, however it shows that the main indicator was the delaying of sales, followed by the communicated plans for repaying the national debt.

Figure 2: Analysis of explanations of respondents based on key themes

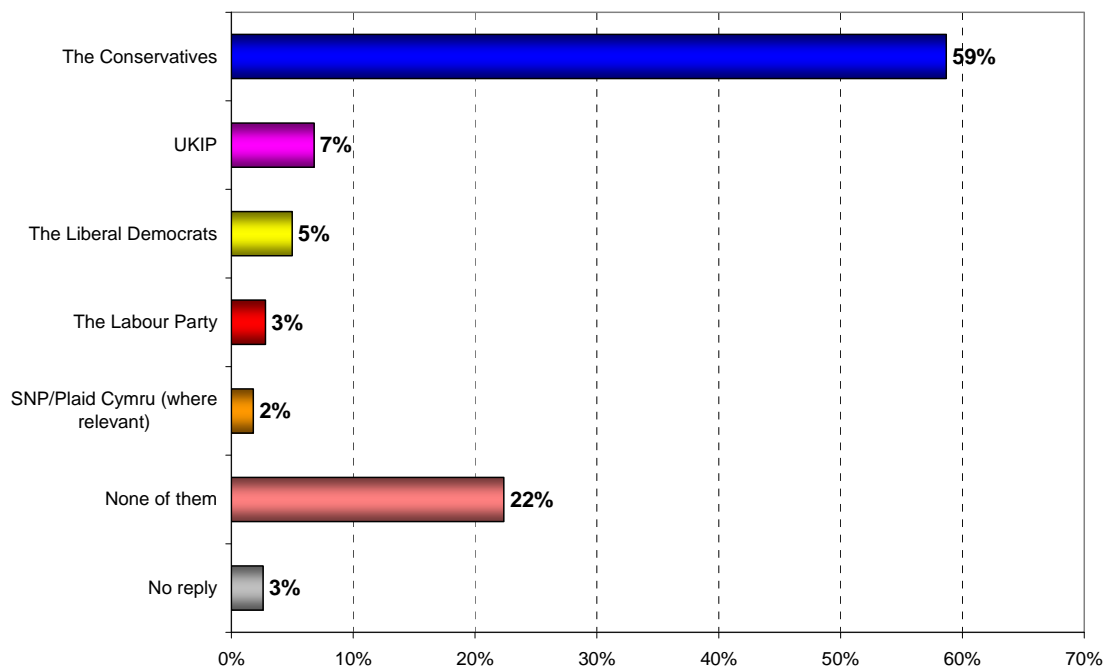


Most of the enthusiasm was for reducing red tape, dealing with public sector wastage and regulating the banks.

Which party do you feel best understands the way your business operates and its needs

Businesses were then given a list of the parties and asked which one best understands the way your business operates. The accompanying newsletter provided in depth the policies of the three main parties, but not UKIP or the policies of the SNP or Plaid Cymru. The results are shown in figure 3.

Figure 3: Which party understands the way your business operates and its needs



A majority of businesses felt that the Conservatives understood their needs which was unsurprising as many of the positive comments about the election focused on employment taxes, corporation tax and red tape. There was also a feeling that the Labour government had failed to make sufficient cuts over the last year, and the Conservative policy on repaying the national debt appears to have been effective as a statement of intent even if there is some scepticism about their ability to meet these plans.

UKIP scored highly due to the high proportion of red tape that comes from the European Union, and the nationalists also scored well in Wales and Scotland as it was felt they protect the national interest for their country.

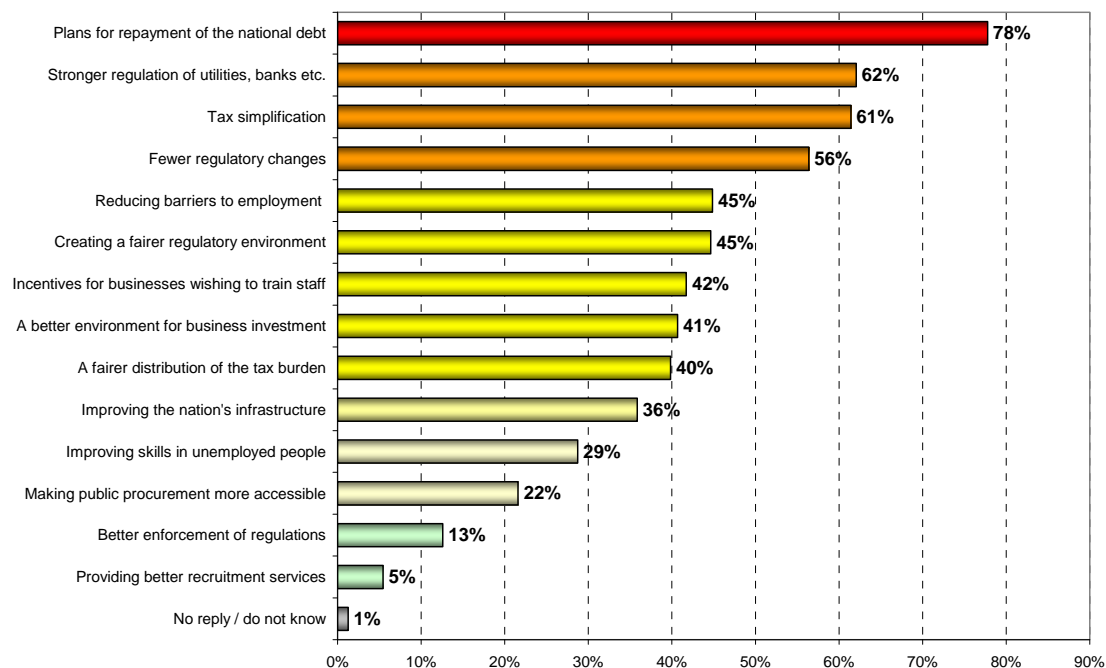
Almost double the number of businesses felt that the policies of the Liberal Democrats were more supportive of smaller employers than the Labour Government. Anecdotal evidence suggests this is due to the feeling that they would be more effective in dealing with banks but were also seen as a change to the 'closed minds' of the main parties.

Worryingly, almost a quarter of respondents felt that none of the parties understood small employers. One or two businesses cited the lack of willingness by Members of Parliament to start a dialogue with businesses in their area.

Priorities for the new government

Almost 80% of business owners feel that one of the key priorities for any new government was to repay the national debt. Owners are all too well aware that continued delay will exacerbate the problem, leading to a revision of the UK's credit rating and more expensive financing arrangements in the future.

Figure 4: Priorities for any new government following the election



Respondents also felt that there was a need for stronger regulation of banks, utilities firms and other organisations with quasi monopolies. There remains a strong sense of injustice and a feeling that the regulators have failed to act in the public interest as the cost of gas, electricity and finance has remained high even when the effective costs have dropped considerably.

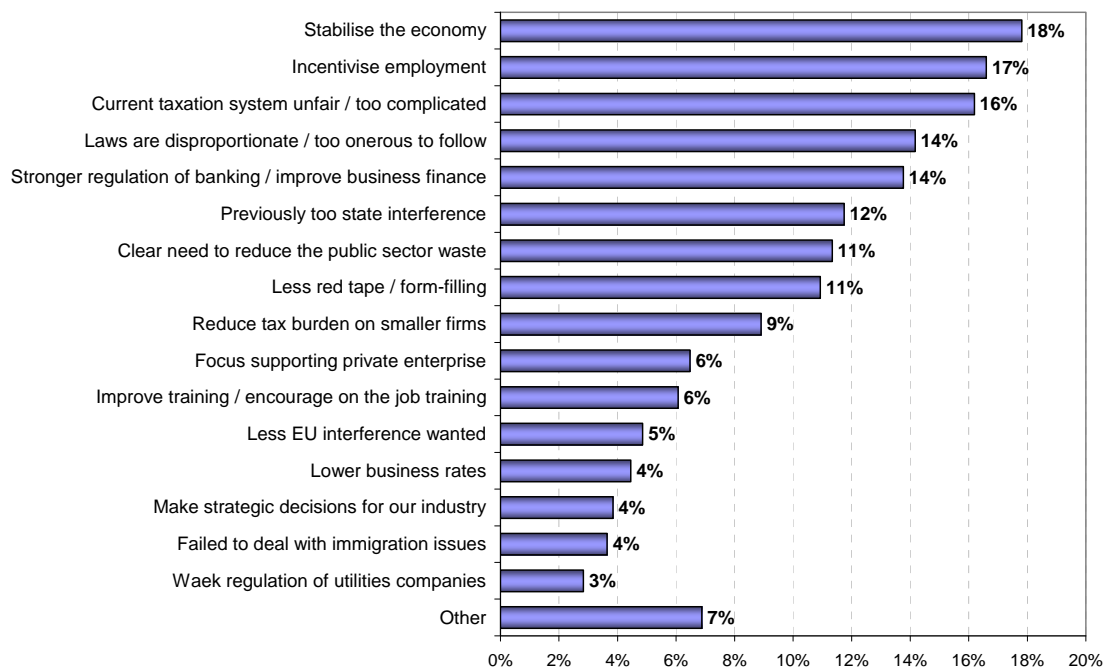
Tax simplification and a reduction in regulations were also areas that the majority of our members want to see prioritised. Comments indicated that there is a feeling that tax and employment should be understandable to the layman so that they can remain fully in control of their own destiny.

Reducing barriers to employment (45%) and improving recruitment services (5%) such as Jobcentres were seen as lower priorities than anticipated. This may be simply because the economic situation means that businesses are not looking at these areas at the moment.

However a large proportion (17%) of those that did provide further information focused on incentivising employment, putting it second behind returning to economic stability. This included reducing (or scrapping) National Insurance but was focused on incentivising businesses to employ people rather than using employment law to penalise employers. 6% wanted training to improve, with the focus being split fairly evenly between those lamenting poor basic education levels, a lack of vocational qualifications in the area and lack of support for training on the job.

14% of businesses wanted a simplification of the actual laws to be introduced, 12% wanted less state interference in general and 11% wanted a significant reduction in the form filling and administration used to prove compliance to be reduced.

Figure 5: Analysis of comments explaining why these priorities were important



Tax is also a key issue with businesses wanting a fairer system generally; tax simplification was a big issue for businesses particularly at the moment when an adverse taxation decision could make the difference between profit and loss. There was a feeling that a simpler tax system would be a fairer one as larger corporations would have less recourse to loopholes for tax evasion. 9% of businesses also wanted a reduction in the tax burden for smaller firms to meet the increased costs (in time and money) of doing business.

“Stop making me feel you want small business gone because at the moment between paperwork, rules and regulations, bank charges, rates and fuel, there’s nothing left to employ staff.” Member comment

Stronger regulation of the banks was wanted by business owners who wanted them to invest more in smaller employers. Businesses also felt that they would like a more diverse range or funding systems for established firms alongside the Enterprise Guarantee Scheme.

4% of businesses wanted major strategic decisions to be made for their industry as a matter of urgency. The overwhelming majority of these companies were from care services, particularly residential care for the elderly, where key questions affecting the future viability of their businesses had been left unresolved by the previous administration.

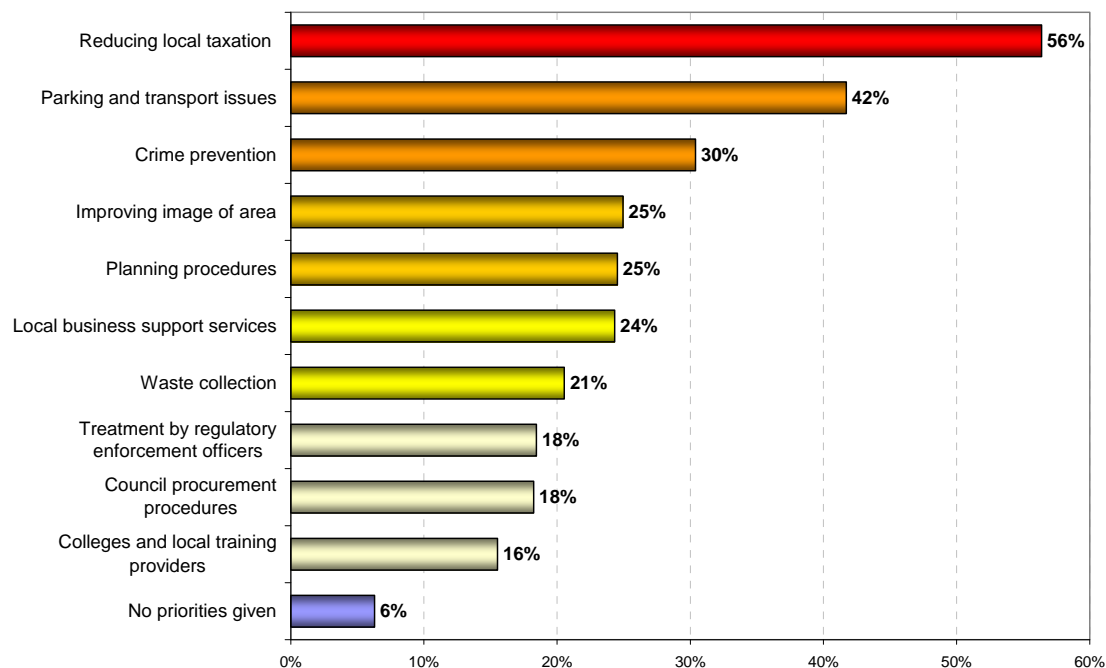
A few businesses used the opportunity to highlight where the Labour Government had got things right, with the Time to Pay scheme being the most popular, despite occasional teething problems.

Priorities for the new government at a local level

“Business rates are very high and I cannot see what we get for what we pay. Not sure even what these rates are supposed to cover. Local business support is sparse and could be more proactive.” Member comment

Business owners were also asked about local priorities that would help their business and communities.

Figure 6: Local priorities for any new government following the election



Local taxation was the main issue highlighted by businesses. This is partly due to an increased cost for businesses (some reported increases in excess of 70%), but also the services that they received for this, with many reporting that they are increasingly paying for additional services such as recycling and waste removal. This is sometimes in contrast to what the same people receive at their residential address.

Businesses are also concerned about local wealth retention, exemplified by the local high street. There is a perception amongst our members that councils prefer supermarkets to independent shops even though this means that there is less retention of wealth in the area. Parking charges and apparent preferential treatment for out-of-town supermarkets seem to exacerbate this.

There is also a lack of business focus in local services, particularly crime where businesses feel that multiple burglaries and vandalism are not taken as seriously. Poor clean-up rates, inadequate response times and the lack of a visible police presence were also concerns for businesses, particularly in rural areas. Local support services are not perceived as supporting business development and success, but rather being geared to the enforcement of regulations. The enforcement is often seen as being applied inconsistently and in a way hostile to the business owner rather than in a constructive manner. There is also a feeling that colleges and business advice services should be more flexible to make them accessible to business owners.

Our members also believe that some councils are also counterproductive in terms of local procurement as the tendering process seems to support businesses that have the resources in place to complete complex tendering forms.

Business owners would like to see councils lead regeneration through local procurement and making business services available to the public by reducing or removing parking charges rather than initiatives to "Support your local business". Other businesses would like to see more general PR for their area to promote trade and investment in the area.

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