

The Genesis Initiative

~ improving the quality of the debate



“BRITAIN’S ECONOMIC REVIVAL”

THROUGH

MICRO, SMALL & MEDIUM SIZE BUSINESSES

(A Consultative SME Manifesto)

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Re-launched in the Palace of Westminster

26th October 2009

**The Genesis Initiative
SME Manifesto Presentation and Discussion**

at the

House of Commons

Grand Committee Room

on Monday 26th October 2009 – at 2.00pm to 3.30pm.

Followed by a reception in Dining Room A - at 4.00pm to 6pm.

Attended by

Lord Davies of Abersoch CBE

Minister of State and Government Spokesperson for the Department for Business,
Innovation and Skills

and

Mark Prisk MP

Shadow Minister for SMEs.

The all Party Genesis group represents a million SME's in the UK, employing more than 3m people and has committed support from 113 SME trade organisations.

A presentation about the results of the YouGov- SME Survey, commissioned by Genesis, will be made at the presentation by Dr Michael Wagstaff, Head of Public Sector Consulting at YouGov.

Following consultation amongst its members, Genesis is issuing its manifesto and makes the following proposals:

- There should be a Small Business Minister in the Cabinet.
- Create a more business friendly environment to help Britain fight its way out of recession.
- Set up a Small Business Commission to coordinate the entire interface of Government with small business.
- Promulgate a Small Business Charter giving rights to small business proprietors similar to those of employees.
- Exempt small business from the more onerous employment legislation.
- Reduce business regulation and simplify business tax releasing more time to be a creative entrepreneur.
- Set up specific training on how to set up and run a business led by those who actually do so.
- Make public sector contracts more available to small businesses.

Members of Genesis believe that by setting small business free will lead this country out of recession, as opposed to an ever growing dependency on the public sector.

THE GENESIS INITIATIVE

SME MANIFESTO PRESENTATION & DISCUSSION

Grand Committee Room, Off Westminster Hall
House of Commons, Westminster, London SW1A 0AA

Monday 26th October 2009 - 2.00 p.m. – 3.30 p.m.

A G E N D A

1. Opening Remarks

- Chairman Brian Binley MP

2. The SME Survey

- **Dr Michael Wagstaff**
Head of Public Sector Consulting - YouGov
- **James Turgoose**
Head of Political Affairs
Westminster Parliamentary Research

3. Presentation of Subject Headings

Led by Ross Coates MBE

The following Individuals will be present to answer questions and participate in the debate

The Small Business Charter – **Ross Coates MBE**

The Significance of the Sector – **Professor Ken O'Neill**
Professor John Stanworth

Employment Legislation and its Reform – **Tom Brass**

Training – **Joy Nichols MBE** and **Garry Carter**

Health & Safety Legislation – **Christian Lister**

Corporate Governance – **Richard Smerdon**

Removal of Regulations
& Burdens on Small Businesses – **Ross Coates MBE**

Small Businesses & Taxation – **David Harvey FCA**

Financial Support for Small Business – **Cllr John May FCA**

Europe – **Dr David Doyle**

Procurement – **Lynda Purser**

The Rural Economy – **Finlay McPherson**

The Food Sector – **Joe Harrison** and **Bob Salmon**

Manufacturing & Exporting – **Sir Ronald Halstead**

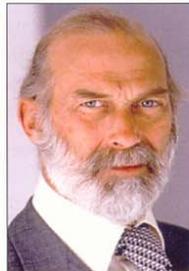
Environmental – **Nick Wood-Dow**

The Challenge Ahead – **Brian Binley MP**

4. General Discussion

Close at 3.30 p.m.

FOREWORD BY HRH PRINCE MICHAEL OF KENT GCVO



KENSINGTON PALACE,
LONDON, W. 8.

The publication of this Small Business Manifesto is most timely.

As the European Union slips into one of its most economically-challenging periods since the Great Depression, small business entities – whilst facing harsh trade conditions themselves – are also a contributory factor to a more stable economic climate. Already a formidable stimulus to job growth and social integration across Europe, SMEs are the key to a revised economic framework, capable of creating new products and services, at competitive prices and benefiting from a lower cost base. But this requires that entrepreneurs, governments and regional agencies work collectively in building the appropriate legislative environment for small businesses to flourish.

Developing and implementing the right policy framework is critical.

The Genesis Initiative Manifesto is an attempt to bring relevant stakeholders together to identify the key strategic issues facing SMEs in the United Kingdom, embracing company law to labour policy, and from access to finance to incorporating some of the best EU SME-stimulus practices.

As Founding Patron of the Genesis Initiative, I am proud to be associated with this exercise.

The United Kingdom is well poised to act as a catalyst at EU level in creating a multi-stakeholder approach to SME policy development, encompassing cross-parliamentary members, SME-owners and regional bodies in a collective effort to put SMEs at the centre of economic strategy, thereby boosting long-term prosperity.

The Genesis Initiative Manifesto is a first step in this process.

A handwritten signature in black ink that reads "Michael".

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SME – Manifesto – Genesis Group

SME FACTS & FIGURES - THE SCALE OF THE SECTOR

Rapporteur – PROFESSOR KEN O’NEILL – Email KE.ONeill@ulster.ac.uk

At the start of 2007: (Source: 2007 statistics being the latest statistics available at the time of publication from BERR Enterprise Directorate Analytical Unit, except where otherwise shown.)

1. There were an estimated 4.7 million private sector enterprises¹ in the UK, of which 3.5 million had no employees.
2. These enterprises employed an estimated 22.7 million people, and had an estimated combined annual turnover of £2,800 billion.
3. Small and medium-sized enterprises (SMEs) together accounted for 99.9% of all enterprises, 59.2% of private sector employment and 51.5% of private sector turnover.
4. Employment in those SMEs is estimated at 13.5 million.
5. Turnover in those SMEs is estimated at £1,440 billion.
6. Almost a quarter (24%) of all UK private sector enterprises operate in the Business Services sector.
7. One fifth (21%) of all UK private sector employment is from enterprises operating in the wholesale, retail and repairs sectors.
8. Women-owned businesses comprise 16% of the business stock and women comprise 27% of the self-employed population. However only 7.6% of the total number of women in employment are self-employed, compared with the corresponding figure of 17.4% for men. (Source: Women’s Business Ownership, Professor Sara Carter, 2006).

(1) Excludes the sector.

INTRODUCTION FROM BRIAN BINLEY MP - CHAIRMAN - THE GENESIS INITIATIVE



Let me start by commending this manifesto to you. It provides a picture and overview of Small and Medium sized Enterprises in Britain at the end of the first decade of the 21st Century.

It is written by a wide variety of people of great experience in their particular area of expertise from food production and retail to procurement contracts for SMEs by public bodies; from the impact of the EU on SME's to employment, training and health and safety as it impacts on SMEs; from manufacturing and export to taxation and the regulatory burden. It is backed up by excellent research and data as you will see from the contributions from Professor Ken O'Neill and the research entitled 'SME Facts & Issues' – a Compilation of Current Data & Issues on U.K. Small & Medium-sized Firms conducted in October 2008 by Professor John Stanworth from Westminster Business School, University of Westminster and David Purdy also from Westminster Business School.

The various short sections of the manifesto each has a 'rapporteur' whose name and e mail address has been identified. Each of these individuals will be pleased to amplify the intellectual argument behind the series of headline points made in the document.

The initiative for such a document came originally from the organisation known as 'the Genesis Initiative'. It is a cross-party organisation formed in 1999 to encourage the growth of the SME sector. Genesis represents 1 million Small Businesses spanning all sectors of business. These businesses employ about 3 million people. As an umbrella organisation they seek to speak on those issues common to all sectors of business.

The manifesto was conceived before the full impact of the current recession was known, but as it happens, the importance of this manifesto in the current climate cannot be overstated: it is the SME sector which will lead Britain out of recession. The needs of the SME sector urgently require attention at the highest policy levels, and it is for this reason that as you will read, we have produced a 'Charter for Small Business' which we shall be articulating to policy makers.

I thank all the rapporteurs who have contributed to this document, and although it is invidious to single out individuals, I feel I should mention, first, PRS, the most generous sponsors of the manifesto—we are deeply indebted to them for without them this project would have not been possible. Then I would wish to recognise the special contributions of Alan Cleverly OBE, the tireless Executive Director of the Genesis Initiative who co-ordinated the whole operation, Ross Coates MBE who produced the Charter and edited the original contributions into a manageable form, and Jackie Russell-Lowe who produced the various editions of the draft and magnificently co-ordinated the final production of the document with Victor Stokes of PRS.

Finally I would wish to record our thanks to HRH Prince Michael of Kent, who unsparingly supports the work of Genesis and who has graciously written the foreword to this manifesto.

THE SIGNIFICANCE OF THE SECTOR

Rapporteur – PROFESSOR KEN O'NEILL – Email KE.ONeill@ulster.ac.uk

Not only do SMEs provide 60% of the UK's private sector employment and 45% of its total employment but, because some of those small businesses are growing into the larger businesses of the future, they provide the major part of the UK's new jobs. As well as employment, other economic benefits of SMEs have also been recognised, including:

1. *Individual enterprise and independence.* SMEs provide a productive outlet for the energies of those enterprising people who set great store by economic independence. In the many sectors the optimum size of the production unit or the sales outlet is small. Many important trades and industries consist mainly of small businesses.
2. *Social inclusion.* SMEs offer opportunities for economically disadvantaged people, including many from ethnic minorities, women, and, increasingly, people aged over 50, to escape from social exclusion and to boost their economic well-being. Moreover, minority ethnic businesses carry significant positive aspects in terms of global connections, innovation and sustainability-as the many Asian entrepreneurs in the UK are demonstrating during the current economic downturn.
3. *Specialist supplier.* Many SMEs act as specialist suppliers to large companies offering them flexibility and adaptability, thus performing a key element in supply chains.
4. *Competition and innovation.* SMEs provide competition and a check on the inefficiency which monopoly breeds. Despite relatively low expenditure on R&D by the sector as a whole, small businesses are an important source of innovation in products, services and processes (particularly in certain sectors) being proportionately more innovative than large firms.
5. *Consumer Choice.* SMEs, in generating competition, also widen choice for consumers. They add greatly to the variety of products and services offered to the consumer because they can flourish in a limited or specialized market which it would not be worthwhile or economic for a large firm to enter.
6. *Seedbed for new industries.* The small firm sector is the traditional breeding ground for new industries. They are the seedbed from which new large companies will grow to challenge and stimulate the established leaders.
7. *Source of stability.* The SME sector is also perceived as contributing to economic and social stability as it is part of the fabric of society and as an essential element of a functioning democracy.

THE SMALL BUSINESS CHARTER – Email info@genesis-initiative.org

To give specific focus to our proposals for the SME sector, we advocate a charter which would encapsulate broad principles to support and encourage existing and new business and to establish rights, responsibilities, freedoms and restrictions of the SME sector.

The charter is a broad statement of principles, rights and responsibilities.

There are six principles that should underpin the SME sector:

1. That everyone should have the opportunity for self-employment which incorporates equal scope for everyone to gain the appropriate knowledge, skills and support to establish a sustainable business with a legitimate trading purpose:
2. That there should be fair and equal access to Government funding and grants:
3. That there should be access to continuing personal development training for business management.
4. That there should be legal protection of rights similar to those of employees.
5. That there should be a limitation on inspections and investigations by Government authorities.
6. That there should be fair, equitable and transparent taxation

These principles should be supported by six rights:

1. The right to clarity from HSE.
2. The right of protection from vexatious, frivolous and false employment claims.
3. The right to privacy in respect of contested court proceedings.
4. The right to charge for time expended in preparing and organising for Inspections and investigations by Government and regulatory bodies.
5. The right to compete on preferential terms for Government contracts.
6. The right to access Government backed guarantees for business development loans (i.e. matrimonial home not offered as security) whether a limited company, partnership or sole proprietor.

Where appropriate, the above to be backed by statute:

For their part proprietors, partners or directors of SMEs must demonstrate social responsibility to include the following:-

1. Approach business in an environmentally conscious way.
2. Abide by the law in all matters relating to the conduct of their business.
3. Adopt a policy of transparency in all business dealings, with customers, suppliers and staff.
4. Operate a robust complaints handling system to address concerns expressed by customers.
5. Prioritise training, career development and personal advancement of staff in a non discriminatory way.

EMPLOYMENT LEGISLATION AND ITS REFORM

Rapporteur – TOM BRASS – Email Tom.brass@ioim.org.uk

1. Establish the principle that everyone has the right to be self-employed and work on a freelance basis if they wish to and when it is commercially appropriate – there are a significant number of freelance workers who live with perpetual uncertainty as to their status.
2. Reinforce this with the development of a relevant and supportive legal framework for freelancing, similar to Australia’s Independent Contractors Act 2006. This framework should:
 - Provide a formal definition distinguishing between employment and self employment status.
 - Place a requirement on employment businesses to disclose the critical terms of their contract with the hirer, to enable freelancers to be aware of and understand the critical terms affecting their employment/self-employment status.
3. Adopt the “Think Small First” principle whether by creating legislation for small business and developing it for big business, or amending or dropping legislation for certain sized small business.
4. Assist SMEs to fulfil their social obligations to their employees, by providing financial support for parental leave, and extending the current system of tax relief for childcare vouchers, to allow an equivalent voucher system for care of the elderly.

TRAINING

Rapporteur – JOY NICHOLS MBE – Email j.nichols@cmb2group.com

1. Availability of training for SMEs and Third Sector organisations who want to offer goods and services to the Public Sector. The training should cover topics like procurement, NI, VAT, money laundering and debt management.
2. Expand Train to Gain to incorporate small UK high tech firms which presently rely on other countries for specialist training.
3. Refocus Business Link to enable it to make a more specific contribution to the SME sector and populate it with individuals with SME experience, knowledge and training.
4. Divide training provision into 3 namely:-
 - a) Compliance training
 - b) Subject specific/functional training
 - c) Enterprise training. Sit enterprise training under the auspices of a single small business unit (Commission) with responsibility for its provision.

HEALTH & SAFETY LEGISLATION

Rapporteur – CHRISTIAN LISTER – Email chris@xpresslegal.co.uk

1. Provide greater sign posting to the SME sector.
2. Remove the burden upon the SME to ascertain which regulations apply to its specific business.
3. Co-ordinate all government departments but especially Companies House and HSE to provide by email updates of regulation and best practice for SMEs.

CORPORATE GOVERNANCE

Rapporteur – RICHARD SMERDON – Email Richard.smerdon@mailbox.co.uk

1. Good governance can facilitate efficient, effective and entrepreneurial management that can deliver shareholder value over time. SMEs should be encouraged as part of their responsibilities to embrace SME friendly corporate governance by means of training and publicising best practise through trade associations, chambers of commerce and the like.
2. SME friendly corporate governance should take the form of an SME governance code of best practice comprising some basic principles and guidelines.
3. The 'guidelines' can be classified into 'basic' (e.g. regular meetings of directors and basic financial information and management), 'intermediate' (e.g. a non-executive director and an annual legal audit) and 'advanced' (e.g. D and O insurance and an audit committee). SMEs would then be encouraged to select from these choices the level of governance they thought best for the company.
4. Provide specific training in financial and risk management and the role of the non-executive director.

REMOVAL OF REGULATORY BURDEN ON SMALL BUSINESSES

Rapporteur – ROSS COATES MBE – Email ross.coates@rosscoates.co.uk

1. Set up a small business commission to vet all new legislation which may affect small businesses.
2. Undertake a review of regulations relating to small business with a view to rationalising and reducing regulatory burden.
3. Review the methods of enforcement of regulations on small businesses and ensure that officials within departments behave consistently towards SMEs.
4. Monitor and control investigations, inspection visits and form filling.
5. Provide financial incentives for compliance with remaining regulations to facilitate culture of excellence.

SMEs AND TAXATION

Rapporteur – DAVID HARVEY FCA – Email david.harvey@step.org

1. Create a tax level playing field for all SMEs, incorporated or otherwise, by merging corporation tax, capital gains tax, employers national insurance tax and income tax into one single business tax on turnover into which any business could opt.
2. Rationalise and simplify allowances to broaden the tax base, whilst lowering rates.
3. Create one new allowance for capital investment to recognise, in the new single small business tax, the risk taken by the investors.
4. Keep the substantial majority of SMEs in the lower bands of taxation.
5. National Insurance contributions and pension contributions by employers should be paid into a lifetime saving vehicle, usable for retirement and a limited number of other lifetime objectives. E.g., buying a first home, as part of reform to encourage life time savings.
6. Transfers of businesses should not to be taxed.
7. Business rates should be returned to 4 star local councils or otherwise merged into the single business tax.
8. Businesses should receive a business vote.
9. The principles of the Howe Commission on the future reform of taxation law should be implemented to give businesses long-term certainty as they plan their tax affairs.
10. Simplify and extend tax relief for training.

FINANCIAL SUPPORT FOR SMEs

Rapporteur - COUNCILLOR JOHN MAY FCA – Email john@jjmay.co.uk

Finance for Business:

1. Government policies must focus on those that will take the UK economy out of the current financial and economic crisis and support a recovery.
2. Trust and confidence in the financial system should be promoted, otherwise recovery will be held back and so too sustainable growth, job creation and innovation.
3. Banks need to provide overdrafts, not loans at levels equivalent to lending before the recession to well run businesses and at reasonable rates as to price and collaterals.
4. New financial products should be created which are relevant to growing businesses e.g. mezzanine instruments and export finance.
5. As a short term measure financial support should be given, where needed, to all SMEs to help maintain as many in work as possible and create new jobs. This could be related to the amount of PAYE and NI paid in the previous year.
6. “Solutions for Business-Funded by Government” should be made available to all UK small business, not just in selective regions or industries. It should be promoted extensively. Ease of access through Business Link and transparency in understanding and sensible time scales for obtaining the help and finance are a must.
7. Late payment legislation needs to be enforced more readily particularly in Government and Local Authorities and extended not just to Business to Business but Business to Customer.
8. Access to grants and other financial instruments for SMEs should be promoted through new local mutual organisations working where appropriate with Business Link. Matched funding by Government and Local Authorities with mutual organisations could encourage local business initiatives.
9. Permitting Local Authorities to retain Business Rates for investment in SMEs and raise finance to fund local business should be promoted.
10. Subsidies to public or semi public sector employment should be phased out so as not to distort competition in the market place as against the private sector.
11. Further work needs to be done to restore credit worthiness of entrepreneurs particularly where they have failed previously.
12. The perception of the role of entrepreneurs and risk taking should be applauded by Government and impact assessments on burdens on SMEs of costs from Government should be vigorously applied. The “Think Small First” mantra.
13. It is important that profits are retained in business for future investment/funding, so lower taxation needs to be promoted at levels no higher than those in 2007/08. The nil rate of tax on the first £10,000 of profits should be reintroduced.
14. Local Authorities to be encouraged to promote enterprise in practice and as a culture under their well being powers.
15. Loan guarantee scheme to be extended to cover all businesses and remove the obstacle to credit trade insurance.

EUROPE

Rapporteur – DR DAVID DOYLE – Email dpdoyle@club-internet.fr

1. Borrowing from the EU modus operandi, Economic Impact Assessments should be *derigueur* prior to the development of any major new piece of legislative initiative affecting SME's. This should be accompanied by the 'Think Small First' principle enshrined in the EU Small Business Act and applied at all levels within Member States, particularly at local government level. MPs, and MEPs, should keep SME's in mind when devising or amending legislation.
2. With availability of credit from banks remaining a major challenge, Member States' governments should consider the introduction of 'credit mediators', as in France and Belgium, which has helped SME's negotiate with banks. In France, a credit mediator has assisted some 8,000 companies' access finance, saving up to 90,000 jobs.
3. Member States should be encouraged to do more to advertise the availability of EU funds for SMEs via the EIB (European Investment Bank), and accessible at national level from financial institutions. Small-business owners may not be aware that funds are available and few SME's may not know what tangible steps need to be taken when applying for funds. Regional Development Agencies (RDAs) in each Member State, and devolved administrations, viz, Scotland, Wales and Northern Ireland, should be galvanized to apply for loans from the EIB and make these accessible to local SME's.
4. Promote a common approach to SME's IP (intellectual property) protection by calling for filing in two or three languages, and not 25 languages. The EU Community single patent project should be given a boost and move beyond translation issues. Compared with other jurisdictions outside of the EU, SMEs cannot avail of a single patent to cover the entire region.

PROCUREMENT

Rapporteur – LYNDA PURSER – Email Lynda.purser@ibconsulting.org.uk

1. Public Authorities to be required to
 - Adopt the existing Small Business Concordat and demonstrate their commitment to small business.
 - Report annually on the share of procurement from small and micro businesses.
 - Establish a workable framework agreement for SMEs to tender for public sector contracts including a mandatory standardised PQQ and allow sufficient time for SMEs to respond .
 - Publish an annual events timetable of “meet the buyer” events and the tender opportunity to which they refer.
 - Engage with advocates for fair competition and operate measures of effectiveness.
 - Give appropriately detailed feedback to SMEs unsuccessful in the tender process.
 - Operate procedures which enable them to take account of factors additional to short term cost.
 - Stop using the same approach used for large organisations.
 - Make full payment within 30 days and require sub contractors to pay their suppliers in 30 days.

Additionally

- People responsible for procurement in small organisations should have readily accessible training in procurement support by public funding.
- There must be a clear procedure to identify and deal with anti competitive activity in the tendering process.
- There should be greater focus on creating a new framework to evaluate a consortium of small organisations where they are to the advantage of all participants with no one member having an advantage due to size/turnover recognising small organisations may be virtual and have associate arrangements

SMEs and the ENVIRONMENT

Rapporteur – NICK WOOD-DOW – Email nwd@chelgate.com

Threats

1. SMEs fear that politicians of all shades will leave to companies too much of the burden of reducing carbon emissions. Even as politicians come around to the need for a greener economy, they may fear that targeting the emissions of consumers and individuals directly may provoke a voter backlash. Targeting businesses instead may appear to be politically safer, but it would harm job creation and economic growth.
2. A more specific fear for SMEs is that regulatory and other policies that are imposed on businesses may be particularly taxing for the smaller company. For firms large enough, it is affordable to add another employee to its payroll to deal with new rules and restrictions. For the smaller company, the burden may be proportionately greater.
3. Similarly, economies of scale may make it easier for the larger firm to adopt energy-saving and environmentally-friendly technology. For a firm with deep enough pockets, investing in measures with only a very long-term return may be much more plausible than for competitor firms with much smaller revenues.

Opportunities

1. Another opportunity for SMEs to consider is that the rewards of greater efficiency – from heat insulation to the paperless office – will be more marginal to their larger competitors than to the small business. If SMEs are driven by external factors to achieve efficiency in use of energy and resources, the opportunity is there for achieving greater output, with reduced overheads.
2. The opportunity to achieve the above, however, is also likely to present itself in a particular context. While there will be pressure for all firms to adapt, the largest and most visible companies will naturally face the greatest pressure from media and from public opinion. This means that those firms which prefer to adapt after waiting to see what works for other firms will find such a strategy easier the smaller the firm is in size and market share. The opportunity to wait some time, to see what works and to adopt best practice is there for SMEs to grasp.

THE CHALLENGE AHEAD - Email info@genesis-initiative.org

SMEs are at the corner stone of building fresh momentum into our economy but they require far more encouragement, help, support, freedom and respect to enable would be entrepreneurs to set up to create employment and existing employers once again to have the confidence and the will power to rebuild their businesses.

The current climate is not conducive to rebuilding small business and must be changed.

Any increase in the number of people or the number of programmes delivered through the public sector will, of necessity, create a heavier taxation burden on SMEs. This heavier burden will have the effect of reducing the capacity of SMEs to innovate, provide flexibility and grow – the very attributes that make SMEs the vital drivers of economic recovery.

Proposals

Against the above background, the members put forward the following specific practical proposals.

POLITICAL

1. There should be a small business minister in the cabinet or at least with access to the cabinet and he should head the new Small Business Commission.
2. All training, information and regulatory requirements relating to small business should be provided or overseen by a small business commission and each business should have a relationship with that singular agency rather than a range of agencies as at the current time.
3. Public Authorities should be specifically tasked with positive action in favour of small businesses – those employing 50 people or fewer – for the outsourcing of certain contracts.
4. Job Centre Plus should provide equal weight to information, advice and sign-posting to appropriate programmes about self-employment and enterprise as about employment.

INDIVIDUAL BUSINESS SECTORS

MANUFACTURING AND EXPORTING

Rapporteur – SIR RONALD HALSTEAD – Email head.office@eia.co.uk

1. Our economic future is, inextricably linked to the development of a strong UK manufacturing base that is open to global markets, focused on knowledge and high value, and capable of exploiting fast growing markets.
2. In the current economic crisis the UK needs an urgent and significant injection of government investment in order to boost export activity and encourage UK companies to engage in and increase their international sales efforts. These resources should be targeted towards business schemes which directly benefit exporters across all industry sectors and directly encourage them to enter overseas markets. They should be focused on those schemes which bring the largest financial return on investment.
3. UK Trade & Investment's trade support policies and infrastructure are not relevant and viable in the present economic climate. UKTI's structure is burdened by internal staff, overheads and administrative costs, which make up around 75% of its operating budget. Over the past 5 years the budget for direct support to SME's has been reduced from 20million to 8.5million and the number of companies supported has decreased from 8,000 in 2004 to 3,500 in 2008. Germany has a budget for the equivalent business scheme in 2009 of €38million which gives them a consistently high profile in international markets and a strong industrial base of SME companies.
4. UKTI can reduce the cost of delivering business schemes by greater use of existing industry intermediaries, such as trade associations and chambers of commerce, many of which operate export-related services and benefits and already undertake overseas exhibition and mission activities in conjunction with UKTI. Co-operation with not-for-profit industry organisations allows both parties to leverage existing services and activities and create greater efficiencies.
5. Opportunities exist for industry associations to play a greater role in delivering overseas market information services, and in providing advice, mentoring and support on behalf of UK Trade & Investment. Industry associations are keen to play a greater role in delivering export promotion services in partnership with UK Trade & Investment.
6. Support exports by having an official in our embassy responsible for trade development particularly with regard to the SME sector from which no payment should be expected.

THE RURAL ECONOMY

Rapporteur – FINLAY MCPHERSON – Email finlaymcperson@btinternet.com

Putting the Rural Economy to work.

1. **Encourage local employers to use local talent**

Some Rural Highways faced with cutbacks are talking about local communities providing local talent to support the Highways Authority's wish to improve the standard of roads, their maintenance and drainage provision. An idea from 60 years ago!

2. **Create Task Fulfilment culture**

Three examples are offered:

- **Tourism development and selling the UK**

Already being done by some rural authorities but it is a real opportunity to create new jobs as people decide that they will holiday in the UK and cut back on foreign travel. It also boosts foreign visitors to the UK.

- **Green energy programmes**

Many councils are behind on the targets for green programmes. Yet the UK has a real opportunity to grasp this subject particularly in the rural areas. A focus on this topic is a real change to create demand and thereby new jobs for manufacturers and installers.

- **Changing the planning permission culture**

At present planning permission has to be sought even to put solar panels on roofs and issues such as is the property in an ANOB area come into play. The effect of these barriers on even small evolutions in a person's private property is to slow down property enterprise just at a time when we should be stimulating it. By easing the private property development barriers more jobs could be created for local people to undertake new projects and create more jobs.

Building regulation requirements obviously remain for all cases.

3. **Encourage spirit of competitiveness among local businesses**

Drive through any rural town and the impact of the recession on shop closures is obvious. Good specialist shops doing for example good fresh fruit and veg can still do very well. There are a growing number of situations where tenants are asking landlords to accept a percentage of monthly turnover and in some cases the same deal is being sought on business rates.

In short the competitiveness of a town can be enhanced by a drive from local authorities, landlords and traders alike to build the competitiveness of a village or town compared to major retailers. It can be done and it is in the historic tradition of many rural areas to take such a line of working together. Perhaps parliament could also seek to encourage such local activity.

4. **The top down planning strategy should be halted.**

The top down Central Government planning strategy provides local government offices with draconian powers to refuse developments on grounds that it does not conform to the central edicts or the regional spatial strategy. In many cases this has resulted in the last year in a severe reduction in the new official boundaries for villages with virtually a standstill on new building work.

By comparison the new regional strategies are calling for massive house builds in key towns in a manner which has not been planned for and the highway infrastructure and indeed the whole infrastructure of services does not exist to cope with this new requirement.

Looking at encouraging business enterprise both in villages and in towns can create a new momentum which will lead to new growth in housing stock of an affordable kind.

5. **Reduce the sole monitoring, regulation burden of inspections of small enterprises.**

There should be more effort put into creating a framework that can bring enforcement agencies and SME's together to succeed in better outcomes.

THE FOOD SECTOR

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1. The non-consumption of food is not a viable option for the totality of the population. This means there is a Governmental responsibility to ensure that there is enough food available and that it is safe to consume.
2. Some 13% of manufacturing jobs in Britain are in the food sector which employs around 650,000 people. On top of this are the service outlets from market stalls to restaurants to retailers. In London alone there are 12,155 restaurants, 6,155 cafés and 5,245 pubs. The Food Standards Agency estimates that there are about 750,000 small food businesses in the country. Each one of these businesses – and 84% of them have less than fifty employees and 62% have less than ten and so are micro enterprises – has many other non-food businesses dependent upon it. Each has to have banks, electricians, builders, transporters, accountants and other trades to function. This means that the importance of the SME food sector to the economy is far greater than just the people employed with it. The sector provides vital services in rural areas where access to supermarkets may be limited.
3. The food SME sector is the innovator of new and specialist products. It has the ability to adapt at short notice to individual requirements. The sector makes available a range of foods that may not be available in the major outlets. Examples are the rare breeds of animals for meat, traditional fruits and craft made products.
4. In this way the sector provides choices to the consumer that the larger manufacturers cannot hope to match. This is social inclusion in practice.
5. The sector allows local produce to be marketed and consumed locally without the need for long distance transport. Very small producers of quality foods are sustainable. Without the structure of local markets these producers would not survive.
6. The sector needs support from the official institutions, not confrontation. Above all it needs consistency of enforcement. Evidence of differing interpretation of the regulations by different authorities is common. This acts as a disincentive for the local trader who may operate in markets in adjacent authority areas and have to apply varying practices to satisfy the whims of local enforcers. There are 436 discrete enforcement agencies in Britain with no overall direction and control.
7. This means that there are mixed messages given to producers leading to confusion.
8. Some 95-98% of food law comes from Brussels in the form of regulation. It is therefore directly applicable without amendment or exaggeration. In general terms the law is simple as it is risk based and not procrustean. The problems lie with interpretation and enforcement and a lack of understanding of the realities of running a small business.
9. UK Legislation should apply equally to imported goods, transport methods etc to create a level playing field for British food.