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THE SMALLER FIRM IN LONDON

Submission to The Greater London Council

on the Discussion Paper
Small Businesses in London

Submitted by
London & Southern Home
Counties Region
Association of Independent Businesses



Association of Independent Businesses

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World Trade Centre
London E1 99A
01-481 8669

INTRODUCTION.

Small Businesses in London rightly draws attention to the importance of small firms in London. The Association represents some 25,000 independent businesses, with approximately 5,000 in the Greater London area. It therefore has a considerable interest in the attitudes and policies of the GLC to our sector.

The bulk of the material in Small Businesses in London deals with the effects of national policies. So, indeed, the focus of the major representative bodies and most commentators has been on the national stage.

The Council has done a valuable service in reminding us all of the importance of local government policies.

Our members, of course, do not need reminding - the results of those policies are literally on their doorsteps - and in their balance books. As arbiters of planning policy, rates policy, and as providers of premises and services, local government has perhaps a more immediate impact on most small businesses than national government.

For these reasons, the London and Southern Home Counties Regional Council of the AIB welcomes the opportunity to comment on the discussion paper. It makes many suggestions for areas where the GLC could make a positive contribution to the well-being of our sector.

Although we welcome the fact that the GLC is looking at what it can do, we believe that it should limit its view to local government matters. We do not encourage the move of local authorities into the venture capital supply market or into the provision of services, such as information and counselling, which are adequately provided elsewhere. Nor are we seeking local government advocacy

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of our cause to national government. Nonetheless, that leaves a huge field for constructive action.

Should the GLC wish to discuss any of these recommendations, we would be delighted to assist. Further, we extend an invitation to officers and members of the Council to visit our members' firms, to see how local government policy works "on the ground."

ERNEST A. NAPTIN
Chairman,
London and Southern Home Counties,
Association of Independent Businesses.

PREFACE.

In developing policies concerning smaller businesses it is essential to understand how cities come to prosper. New trades and industries are almost always begun by small businesses run by entrepreneurs with foresight and initiative. If these trades and industries have an expanding market the businesses concerned will not only grow, they will also stimulate growth in related businesses supplying services and manufactures to themselves. This in turn is likely to attract to the same area entrepreneurs seeking to compete with the original businesses. What is more the climate which is seen to be favourable to small expanding businesses will attract others in unrelated trades.

Such developments are not planned, but happen. They happen in a general area which is geographically suited to trade and in a particular locality which allows for the development of new businesses. (Academic examination of this process is available. Recent work has been summarised in the study "Small Firms in Cities," Graham Bannock, Shell, 1978.).

There seems to be no reason for believing that London has ceased to be an area favourable to trade. The following comments will help, we hope, to make London a city which will be revitalised in the only real way, by allowing for the creation of new businesses, and with them the expanding commercial and industrial activities of the next generation.

RECOMMENDATIONS:

1. The basis of planning policy should be organic growth, rather than bulldozer re-development.
2. Greater use should be made of old premises - subdividing where necessary.
3. Zoning restrictions should be minimised and based on the criteria of actual disturbance, not on zoning by classification.
4. Small business start-ups are often in the individual's home or garage. This should be recognised and allowed for where possible.
5. "Reactive planning" is more relevant to London's needs than "creative" or "visionary" planning. Planning decisions must be made more quickly.
6. Local authorities should be discouraged from building up and retaining large "land-banks." Surplus or unused should be sold.
7. Local government should be discouraged from trying to finance business.
8. The Department of Industry already provides a very helpful Information and Counselling Service. We see no need for local authority initiatives in this area.
9. In providing land and premises for small businesses, local authorities should be aware of their frequent preference (for sound financial reasons) of freehold.
10. Direct labour departments are expensive, generally inefficient and offer unfair subsidised competition. If they are to exist, they must compete on an equal basis.

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11. Many municipalised services - such as catering - should be returned to the private sector - possibly in the form of co-operatives.
12. Failure to meet statutory duties in respect of services is one of the greatest damages local government does to our sector. There is increasing evidence that granting exclusive rights to union-controlled cartels is a less than perfect way of fulfilling these statutory duties. See 11 above. Services must be adequate and reliable.
13. The GLC should examine and report on the relationship between rates and commercial rents in the boroughs.
14. Commercial rates should be allowed to be paid monthly or quarterly.
15. Policy should be neutral as regards different types of business, for example, as between services and manufacturing.
16. Action is needed in the areas of parking, vehicle access and standing for delivery/collection.
17. Small business needs should be regularly monitored by an officer/councillor with an inter-departmental remit.

1. PLANNING.

Local authorities play a central role in the process of changing the pattern of urban land use: by broad policy, by influence and by the example of their own commercial activities. In too many cases they have embraced the viewpoint of the visionary professional planner, whose artform is best expressed on a large blank canvas. Planning by Compulsory Purchase Order, followed by the bulldozer, has become an unhealthy norm for Britain's inner cities. London contains some bad examples all of its own.

2. LAND USE.

If the alternative, which might perhaps be called "organic" regrowth is markedly less satisfying to the planner who wishes to see his idealised city rebuilt all in on go, it is nevertheless a necessary choice if city centres are to be restored commercially and socially. Planners should abandon their preference for all-at-once re-development, and the (at last disappearing) preference for zoning localities for single use - all housing, or all commercial, or all industrial. The answer is a constant mix, bits of which are at any one time being modernised alongside the middle-aged and the frankly old. Fortunately there are some recent examples of the more enlightened attitude creeping in: the way London preserved and re-used Covent Garden deserves credit, where the Parisian equivalent, Les Halles, does not.

3. It is not only tourists who enjoy the old-world charm of re-used buildings. Hard economic and commercial factors enter the question, even in the districts where the suffused glamour of tourism is absent. Old premises are cheap; preserving neighbourhoods does the minimum damage to the intricate web of workshops, services, catering premises and the rest which characterise the traditional urban commercial area. There are already signs that the "new"

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thinking of permitting organic growth has been widely accepted in principle: the task now is to ensure its dominance in practice often in the face of heavily-manned local authority planning departments steeped in the old thinking.

4. The most important single task is to break away from the habit of prescribing exact uses for buildings, or even whole neighbourhoods, in the absence of a user who fits the plan. Creative planning of that sort should give way to reactive planning, which builds change round those who actually want to live, trade, work or relax in the area: wait for them to come up with the proposals then, as far as possible, help them to implement their ideas. Obviously it is the duty of planning departments to ensure compliance with basic criteria - access, natural light, provision of services and utilities - and to plan ahead where roads are to be built. Their objective should be no more than a minimum list of such criteria, not the most comprehensive which professional planners can conceive.

5. BUILDING USE.

Planning is important, not only in the way it determines the use of land, but also in the way it governs the use of existing buildings. Many small businesses (and for that matter present-day large businesses whose origins trace back many decades), had the humblest of commercial beginnings. It is wrong to dismiss the significance of start-ups in a front sitting-room or garage: and it is short-sighted to prohibit such enterprise, however small the scale, on the grounds of planning preconceptions. Neighbourhood nuisance is one thing, anti-business prejudice is quite another and should be eradicated

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from the criteria used by planning officers, deciding whether to accept a small scale application for change of use.

6. Zoning should be based on practical results criteria, not on Standard Industrial Classification terms. For example, a bronze foundry (manufacturing) may be substantially less noisy and less disturbing than a metal drain pipes storage yard (warehousing), although the one may be permitted and not the other on grounds of industrial classification.

7. BUILDING OWNERSHIP.

The prolonged enthusiasm for "municipalisation" of inner urban land has endowed local authorities with a large and often ill-used land-bank. Moreover, local government financing methods permit them to become rich in idle assets, even when their income is low. The result is often wasteful. There is a strong case for selling of surplus (or simply currently unused) land owned by local authorities. A useful side-effect of this could be to ease the shortage of marketable land as freehold. Independent businesses very often prefer land which they own rather than rent. This is not a quirkish attitude of mind: a tangible asset such as a freehold provides security and so can be the key to raising loan finance for the operation of the business.

8. FLEXIBILITY IN COMMERCIAL USE.

Another consequence of the fashion for pre-determined, theoretical planning has been to hold up the natural expansion of existing businesses. An example from within the experience of an AIB member is typical: he sought premises for light industrial use in the Peckham area. Those he eventually found proved to be designated for "storage" use; he had to go elsewhere. The same

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Peckham premises are still vacant (and increasingly dilapidated) several years later. (See point 6 above).

9. Small businesses are speedy and flexible in their commercial activities; this can often run well ahead of formalised planning procedures. Most attempts at official level to anticipate which kinds of business are most likely to flourish seem doomed to failure. Even the most gifted entrepreneur cannot foresee business success stories on a regular basis; the chances that bureaucrats can do what he cannot are unlikely to say the least. Once again the conflict between visionary, "creative" planning and the more desirable "reactive" planning is highlighted. Planning procedures ought to be judged by their ability to accommodate surprises, not by their efforts to avoid them.

10. Direct access to decision-taking planning officers should be possible. Many members report frustrating delays during which they are only able to discuss the situation with low grade staff. Planning decisions should be made more quickly.

11. LOCAL AUTHORITY INVOLVEMENT IN SMALL FIRMS.
Recent enthusiasm for the small firms cause has tempted several local authorities to enter the business of small firms finance. Within the rarest of exceptions we consider this to be an ill-advised use for public funds and do so on four grounds:
 - a) the true source of such funds is not "government" but tax payers and rate payers - who include other successful businesses. Often such public funding is merely an inefficient "transfer payment" from one small business to another.

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- b) there is considerable and growing doubt whether local authorities have the ability to "pick winners." In this respect their chances of success are certainly no greater, and probably much less than commercial institutions.
- c) we view with concern the decided risk of growing competition between various levels of government to attract a finite number of businesses using evermore generous offers of public money.
- d) there is a risk that, in selecting suitable recipients for public funds, local authorities may on occasion resort to political criteria which have nothing to do with the contribution which the business concerned can make to the prosperity of its community.

12. INFORMATION SERVICES.

A further tempting objective for local authorities has been to establish information services for small businesses. Again we consider that the wasting of public resources on duplicated provision of doubtful expertise more than out-weighs the potential for benefit to the community. There may be an argument in favour of local authority information services solely concerned with local authority activities, but it is likely such a service could be operated at least as efficiently through existing town hall agencies. In general the Small Firms Information services operated by the Department of Industry are better placed to assess those information requirements of small firms which can be met efficiently by official means.

13. DIRECT LABOUR DEPARTMENTS.

Direct labour departments which are allowed to compete with small firms and

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subsidised to do so inflict a double injury on the commercial community. Not only do they drive otherwise viable firms out of business, but the cost of financing the subsidy imposes a continuing burden on those which remain. There can be a place for "direct labour," for example on conventional maintenance work. But in the case of new contracts the system should be phased out in favour of the wise use of competitive tenders. Only that way can the rate payer be assured that he is getting value for money.

14. It would be imaginative to regard many services which are today municipalised as being, instead, the seedbed of small businesses. Catering services and refuse collection are good candidates for re-organisation as private enterprises quite possibly in the form of worker co-operatives.

15. PROVISION OF INFRASTRUCTURE.

The most basic task of local authorities is to ensure the uninterrupted provision of utility services though this does not mean that they should necessarily undertake them directly - lighting, roads and parking, refuse collection. The last in particular has been subject to interruption through industrial action: in the case of many small businesses operating on tight turnrounds and margins such interruption can be most damaging. Where strikes are inevitable, small businesses should be free to contract for such services. Moreover, local authorities should be prepared to accept financial responsibility for failure to such statutory obligations. There is increasing evidence that granting exclusive rights to a union-controlled cartel is a less than perfect way of fulfilling those statutory duties.

16. Vehicle access, standing and parking are particular problems for small firms which usually do not have such facilities built into their premises. Despite

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election promises, progress in these areas has been slow despite the fact that this is probably the easiest area for reforms to be made.

17. RATING OF INDUSTRIAL AND COMMERCIAL PROPERTY.

Residential rate payers revolt against high rates through the ballot box. Small businesses, which are taxed yet have no representation, are obliged to vote with their feet. For too long the unenfranchised business community has been regarded as an easy source of rate income by local authorities seeking to make ends meet. The persistent tapping of their slim resources contrasts noticeably with the former concept of industrial de-rating: that formula was adopted with the specific objective of encouraging businesses to remain in a community and underpin its prosperity.

18. Throughout London rates vary widely in relation to rents which, because they are not regulated by law, usually give the most accurate picture of true commercial value. The GLC should examine the relationship between rates and rents and publish the average figure for each borough.

19. Commercial rates should be payable quarterly or monthly at the businesses' option.

20. POLICY NEUTRALITY.

In other ways local authorities have pursued policies, which, quite unnecessarily, reduce the yield they might expect from the rates. There remains still a groundless prejudice, especially in the inner London areas in favour of "manufacturing" and against office development. This cuts across the evident direction of business expansion in an era of increasingly scarce natural resources and third world industrialisation; it often places difficult burdens

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on roads and transport generally, given the need for easy access of most efficient manufacturing businesses; and it cuts across the job preferences of the local labour-force.

20. SMALL BUSINESS "MINISTER."

One way to ensure a better response by local government to small business needs would be to follow the national Government's example in appointing a "small business minister" to co-ordinate the work of the various relevant departments.
