



**Forum of Private Business**

**Research Report**

**Environmental Member Panel**

November 2009

## Introduction

The Forum of Private Business (FPB) 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.

Our Environmental Member Panel comprises approximately 70 members who have volunteered to provide feedback to us on environmental issues. Traditionally, we have contacted panel members on an *ad hoc* basis to gather feedback on specific issues, such as smart metering; however, we now engage more regularly with the business owners on our Member Panels to better understand and collect evidence of their real life experiences, to more effectively reinforce our policy and campaigns activities.

We provided the results of this research to the Department of Energy and Climate Change on 27 November 2009 as part of the Small Emitters Policy Development Stakeholders Meeting.

**Note:** as figures refer to fewer than 100 businesses, they should be treated as indicative rather than as representative of all small and medium-sized businesses.

## Summary of findings

Previous research by FPB member Sample Answers, based upon a random sample of business owners (including non-members), indicated that 19% believed the current steps for reducing carbon emissions were “woefully inadequate”, 32% felt the steps were “valuable, but more should be done” and 33% felt they were “too expensive in the current economic situation”. 14% expressed no opinion.

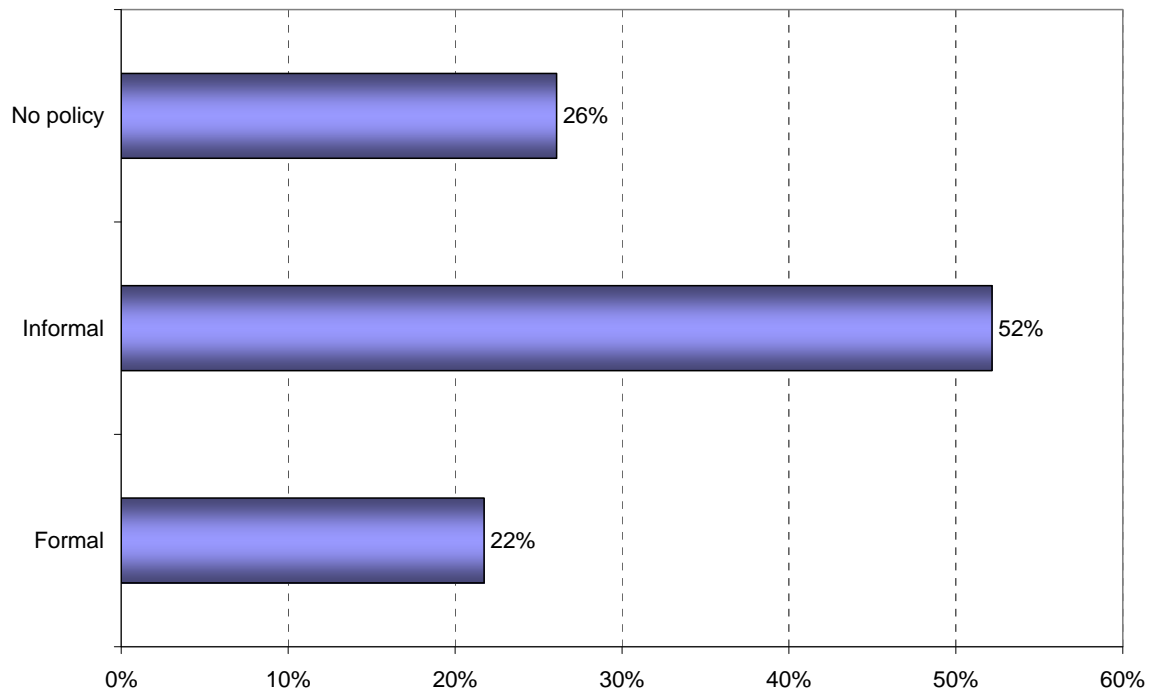
The views of business owners on our Member Panel tend to fit into the first two categories above, although costs are still a massive concern. With this in mind, we propose the following steps be introduced; these are based on our members’ experiences and the wider need to keep solutions affordable as further tax increases are not viable in the current economic situation.

- Clear lines of responsibility and one point of contact for businesses wishing to improve their resources management, rather than fragmented between a number of bodies including the Carbon Trust, Envirowise and so on.
- Better communication of regulatory compliance and best practice from a single source. Case studies including cost savings can be drawn from a number of sources including technical trade associations such as BRE or BSRIA, academic institutions and government sources.
- Greater resources to be given to councils to co ordinate more effective solutions to areas such as waste disposal, energy usage and planning for upgrades on property.
- More proactive communications to councils about changes in environmental legislation and what support they should offer to businesses.
- Less gimmickry in grants and funding for environmental support. Businesses are not aware who is offering them and there is now an assumption that they not are an effective use of time due to the lack of clarity over whether businesses are eligible or time limits on funding.
- More incentivisation of businesses to go green rather than increased taxation. In particular, schemes that aim to incentivise businesses in rented commercial property and their landlords would reduce a significant barrier to upgrading properties.
- If resources such as petrol, energy and water are to be taxed further then there needs to be an according reduction of other taxation such as Corporation or Payroll taxation
- Greater encouragement of business owners to undertake small steps that would improve their bottom line, communication with owners about the savings for their company by making individuals switch off electrical lights and appliances will focus minds more than advertising campaigns.
- Improvement of infrastructure (transport, energy etc) to ensure that small business owners and their staff have real choice.

## Environmental policy

Around one in five businesses on the FPB's Environmental Panel has a formal policy, with the majority preferring an informal policy; however, around one in four has no policy at all.

Figure 1: Whether respondents have an environmental policy



Those businesses with a formal policy tend to be in the construction or manufacturing sectors, where there is a spotlight on resources or businesses that rely on the public sector for work. In these cases, there is a sales-related element to formalising the policy, although alternative benefits of having a policy were cited by other respondents.

The main benefits of having a policy (formal and informal are):

- Focuses employees on resource management
- Gives everyone responsibilities to think of ways to cut costs for the business
- Shows that the business is forward thinking
- Allows employees to feel that they are doing something to help the business
- Helps in the decision-making process, especially regarding purchasing
- Enhances the reputation of the business.

Those that had a formal policy felt that they had few difficulties in putting it together, although the biggest problem seems to have been wording.

The problems included keeping the policy short:

*"Reducing the wording to key points, we have also listed how we are fulfilling our environmental policy and posted it in the staff kitchen - this has reduced the wastage considerably."*

Comment from respondent

And making sure that it did not sound false:

*"Producing a document that did not echo the trite statements issued by too many large businesses."*

Comment from respondent

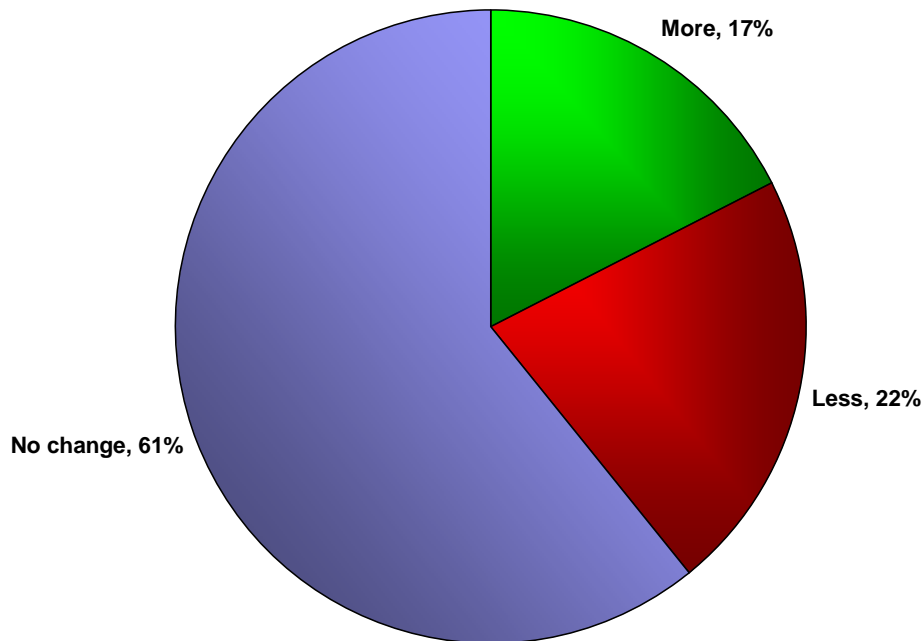
Surprisingly, of those businesses that did not have an environmental policy, all but one made it very clear that they would not consider it in the future. Reasons for this included:

- Business is too small
- A formal policy would be too time-consuming, especially in terms of upkeep
- An informal policy is the best way to convey the message; a formalised policy would create a barrier and a disincentive for change
- The policy is part of the way business works
- Most of the changes that are made are small scale.

## Impact of recession

The majority of respondents felt that the recession had no impact on their environmental improvements. Whether a business considered that they were doing more or less depended on what they considered to be the next stage in their environmental development. Those who are looking at investment options – like more efficient plant, solar panels and so on – that require capital are unsurprisingly those that cited ‘less’. Those who feel that the recession has increased their investment in environmental products highlighted the cost savings that had come through more effective management of resources.

**Figure 2: Whether recession has made firms more or less likely to pursue environmentally-friendly solutions**

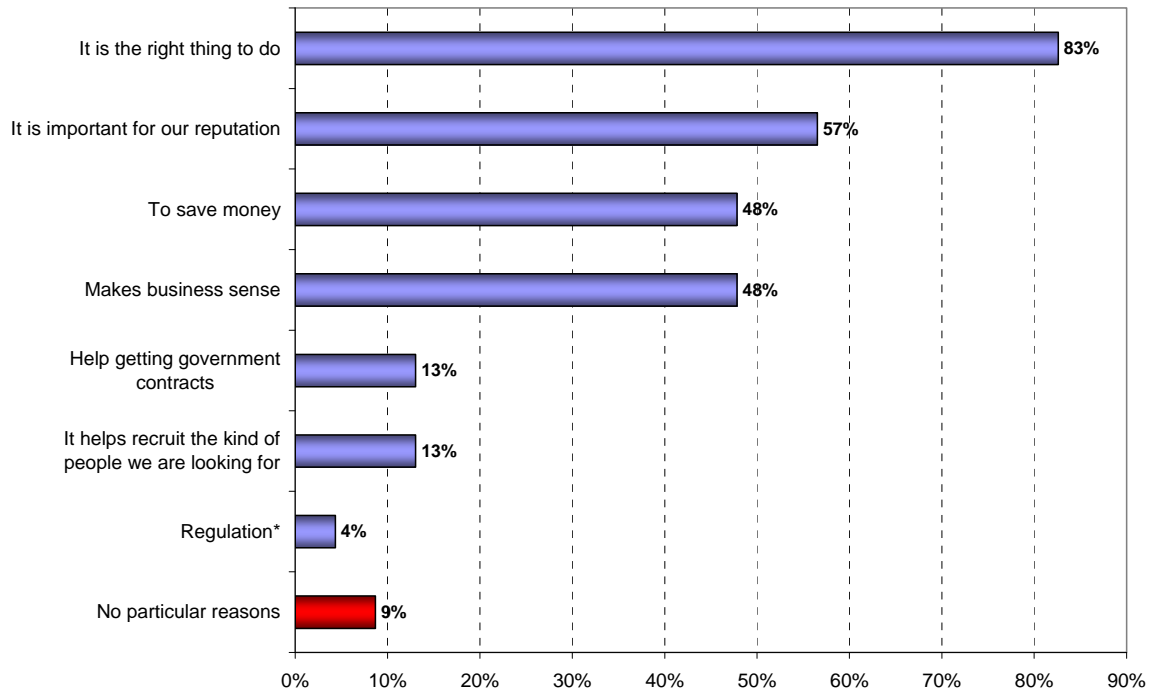


A small number of companies pointed out that it was areas such as planning decisions which would make or have made the change in improving their environmental-friendliness.

## Drivers to undertake environmentally-friendly strategies

83% of business owners on the Environmental Panel undertake environmentally friendly strategies because they think it is the ‘right thing to do’. Most of these also cite other reasons why they spend time on ensuring an environmentally-friendly working culture. 57% feel that it is important for the reputation of the business (internally as well as externally) that they are seen to be doing their bit, while 48% stated that it made business sense. The same number also recognised that saving money was a key driver.

**Figure 3: Reasons why businesses pursue environmentally-friendly solutions**



9% of respondents stated that there are no particular reasons why their businesses pursue environmentally-friendly solutions. In these instances, it was typically because the owners have always worked the same way, with an ingrained aversion to waste.

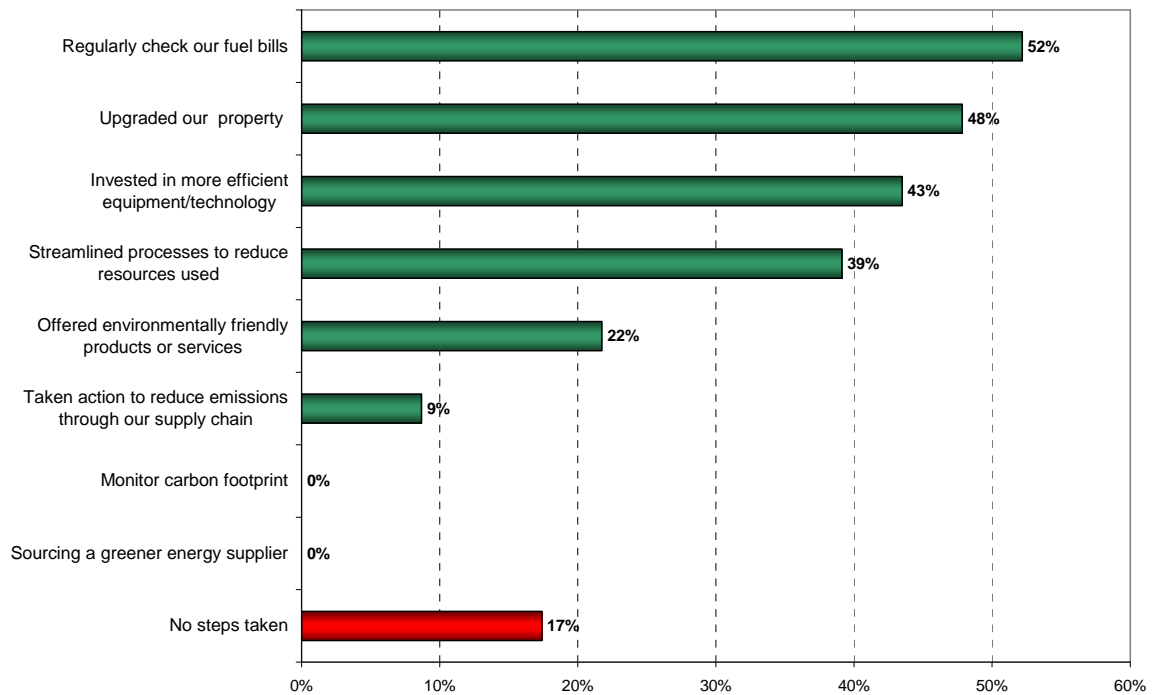
A couple of respondents mentioned regulation or legal compliance; however, this was not an option that was offered in the survey.

### Steps taken to improve energy efficiency

52% regularly check their fuel bills to see if the business was energy efficient. 48% upgraded their property, 43% businesses have invested in more efficient equipment and 39% streamlined processes to reduce the resources used.

No business in the panel has monitored their carbon footprint or had sourced a greener energy supplier. Comments from one or two respondents indicate that many do not know how they would monitor their carbon footprint or consider it too time consuming, whilst very few respondents consider any energy suppliers to be green.

**Figure 4: Steps firms have taken to improve energy efficiency/reduce carbon emissions**



A total of 78% of respondents have found that the steps they have taken were ‘very easy’ or ‘easy’, whilst no businesses found they were ‘very difficult’. Those who did have difficulties cited the cost or affordability of investing in more efficient machinery, or getting upgrades to their properties agreed with landlords or councils. Lack of up-to-date knowledge, time or a viable solution were also issues for a company that had recently moved factories. Other problems included getting builders to avoid ‘value engineering’ and working to standards above official industry regulations.

In general, respondents felt that the changes they were making were easy because they had a good communication process, the desire to do it, changes in work patterns had allowed more time to implement them, good design made them easy or the steps themselves were relatively small. Although these measures were considered fairly small they did cover the major areas of energy wastage including heating (turning the heating down, only heating the building when individuals were in the property or simply not turning the heating on until it gets very cold) and lighting (maximising natural light, moving away from incandescent lighting to compact fluorescent and other more efficient sources including light emitting diodes). Despite a tendency of the panel to be early adopters of technology such as photovoltaic cells, heat pumps etc there was often a lack of easily accessible information about improvements to their building.

*“It is easy to substitute light bulbs, recycled paper, purchase duplex printers, cover machines during breaks to reduce standby, monitor fuel bills. Information on efficiency of new machines (eg. fan heaters) is just not available though.”*

**Comment from respondent**

In total, around two thirds of respondents cited constraints in implementing energy-efficient processes. The main two reasons were the cost of further energy-efficient investment and the fact that businesses are in rented premises and therefore saw no reason why they should pay for improvements that would benefit landlords.

Other reasons include:

- Planning issues
- Time
- Payback period
- Lack of support
- Lack of information on technology

- Technology not advanced enough to provide viable alternative offering (for example, light quality is perceived as better from 100W and 150W incandescent light bulbs compared to compact fluorescent bulbs, and light emitting diodes (LEDs) are limited in their application in that they cannot be used in office applications)
- Suppliers over-packaging their goods to please larger corporations, which are more concerned with shoplifting rather than the wastage
- Do not know where to look for grants/information.

## Incentives for SMEs

The main incentives suggested by respondents were financial. 30% want more funding or more easily accessible grants, whilst 23% want a faster return on investment (ROI) or improvements to their bottom lines. In some instances, the delay in ROI is technological – for example, photovoltaic cells used in solar panelling have a payback time (often more than 10 years) that makes improvements through investment in such products (including the planning issues) marginal, at best. 16% want clarification and one point of contact for environmental compliance and support, rather than the current fragmented system. Two respondents stated that there should be less emphasis on monitoring carbon emissions and more on better resource management.

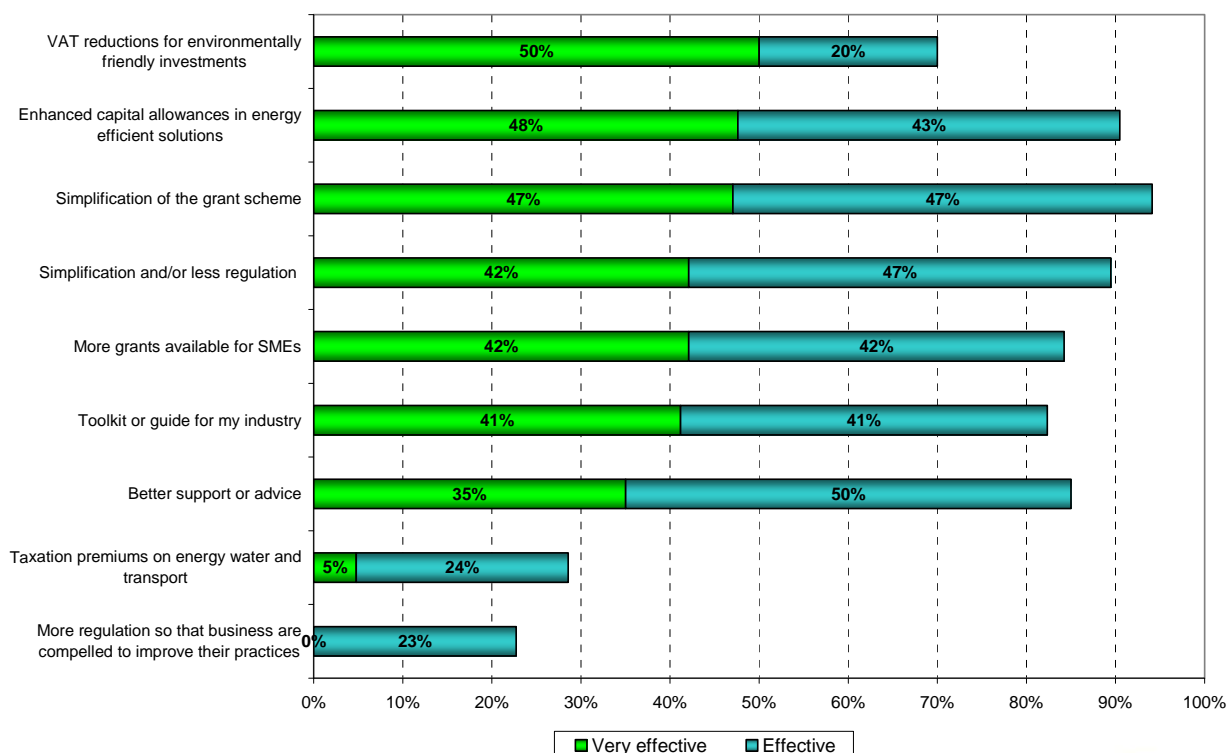
Just over 10% of respondents want to see a greater push from larger companies and the public sector, which were considered to be inefficient compared to the relative efficiency of small businesses. A similar proportion wants more personal responsibility.

Business owners were also quite vocal about they do not want: a continued use of the environment as a reason to increase taxation, increased regulation and continue duplication of responsibilities.

We asked respondents to rate a number of potential environmental solutions for their businesses. The chart below shows that the incentives fall broadly into three categories:

- Effective for most businesses (enhanced capital allowances in energy efficient solutions, simplification of the grant scheme, simplification and/or less regulation, more grants, industry specific toolkit, and better support and advice)
- Very effective for specific businesses (VAT reductions for environmentally-friendly investments)
- Ineffective (taxation premiums on resources, legislation to compel minimum standards).

**Figure 5: How effective environmental solutions would be for respondents' businesses**



Responses to 'VAT reductions for environmentally-friendly investments' were the most polarised, with around half stating that this would be effective and 27% that it would be pointless. Businesses that do not require large investments in machinery or environmental products were most likely to state this was pointless. One respondent said that businesses should include in the calculation the cost of transportation and manufacturing of the equipment. In his particular industry, the technology had not improved significantly to justify this.

Respondents were largely supportive of other schemes, as they would incentivise environmentally-responsible behaviour, either through saving businesses time in checking their legal responsibilities or making green projects more affordable. One respondent had a slight concern regarding better advice and support, as he felt that this would be linked to more regulation.

Few respondents feel that more oppressive solutions (taxation premiums or more regulation to compel businesses to improve practices) would be more effective, although they did feel that some industries, such as construction/house-building, could benefit from this.

## Development of a UK environmental policy

### Tone of policy

Few respondents feel that the approach to policy is the correct one. A number feel that legislation from Europe has helped in improving the way businesses approach environmental decisions, but the emphasis on the 'stick' approach does not help. Few appreciate the use of taxation to penalise use when there is no real alternative and some feel that certain 'environmental laws' have been introduced for the purposes of increasing taxation. Accountants UHY Hacker Young have quantified this approach by calculating that in 2008/9 taxpayers were hit with an additional £1.3bn in green taxes ... while increasing green tax breaks by only £130m<sup>1</sup>. Many would prefer a more supportive approach.

*"I would prefer the 'carrot' rather than the 'stick' approach. We face so many hurdles at the moment; gentle encouragement with clear guidelines would be preferable."*

Comment from respondent

Others feel that taxation should be increased in certain circumstances simply because of the need. In these cases, however, there were conditions:

*"Whilst I disagree with further taxation on energy, water and transport, we have to recognise that we are not paying the full cost of the one chance to use a natural resource. If taxation were used to redress this, it must be counter balanced by removal of other taxes. Change the tax take profile, not the total tax take."*

Comment from respondent

### Clarity of policy

Policy on environmental issues and resource management seems to be fragmented and needs to be brought together. There is plenty of information around, but it is often held by different agencies and has never been fully collated to provide guidance.

*"There's lots of good practice out there. The challenge is to roll it out everywhere. The knowledge for what needs to be done exists, but it needs to be adopted/embedded. Policy has got to tackle resource overuse generally (not just energy). All mechanisms have a role to play – information, advice, incentives, taxes, levies and regulation."*

Comment from respondent

Clarity is also not really helped by the perception of environmental support (especially funding) being short term and piecemeal rather than more consistent and sustainable.

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<sup>1</sup> Source: UYH Hacker Young Press Release – 29 June 2009

## Regulation

An increase in regulation was expected by most respondents and some would welcome rules that would create a level playing field for all businesses and focus people's minds. However, the regulatory requirements should be proportionate and clear (ideally from one agency). One or two respondents cited the difficulties they have had in the past, most notably with the REACH regulatory requirements in 2007/8. Respondents are also unhappy about completing massive technical questionnaires (20 to 30 pages) when nothing appears to be done with the results.

## Speed of policy

Some respondents feel that it is already too late to change things significantly and the majority feel that the UK needs to speed up. One respondent, however, wants policy to slow, but have more consultation with business. Few respondents would complain, though, about the speed of introducing a clear environmental policy that is realistic and business focused.

## Improving the infrastructure behind policy decisions

There is clear evidence that more investment needs to be made in terms of infrastructure as those for energy, transport and environmental support need to improve.

### Energy infrastructure

There is concern from businesses about energy supply over the next few years. With cost and consistency of supply both mentioned, alongside a feeling that the suppliers could be doing more, particularly in terms of research and development. Respondents indicated that there is a need for more nuclear, tidal and solar power, although one or two were critical of the windmill farms, particularly when located in tourist areas. A number of other respondents indicated that incentives for better insulation of homes and commercial buildings should be open to everyone, rather than being small schemes that are time-specific and have eligibility criteria.

### Transport infrastructure

Taxation on road transport (fuel tax and so on) was the most frequently mentioned area where respondents appeared to be getting a continual increase in cost, yet there was still no cost effective alternative. Many see congestion as inevitable unless significant improvements are made to rail networks, so that people and goods have a realistic alternative. Some respondents also questioned whether valuable road space should be taken up by long haulage of food stuffs and water around the country. One respondent also felt that the use of smaller buses at times and on routes where the demand was lower would be a more fuel efficient and practical approach.

### Support infrastructure

Although there are a number of agencies which deal with the environment, it is often down to local councils to provide the local infrastructure needed to make environmental schemes viable. In some cases, it is not altogether clear if local councils recognise the implications of upcoming legislation. In two different areas of the country, respondents are worried that their councils have no provision for the recycling of batteries, which stockists will be required to from 1 January 2010. One respondent stated that the only place he is able to recycle batteries is at his local Tesco. Others feel that there is too much duplication and a number want coordination by councils, particularly in the case of IT equipment, machinery and even white goods.

Councils were mentioned most frequently as they are the most important point of contact for smaller firms and were also cited by businesses as being extremely supportive of their endeavours. Others, however, highlighted the lack of environmental support for national schemes. One respondent pointed out that the car scrappage scheme could have been improved significantly from an environmental viewpoint by placing a greater emphasis on recycling parts rather than scrapping old vehicles.

A number of respondents commented that the current support infrastructure was highly variable according to location, with businesses in rural areas considered to be disadvantaged.

## Keeping Britain competitive

Business owners on our Environmental Panel are some of the more progressive in the UK; however, they fear that there is a potential for green taxes and regulation to make businesses uncompetitive, particularly those which compete with businesses in India, China or the USA.

## Other small steps that could be taken

Switching off lights and machinery are small steps by which some businesses could make a real difference in the future, but owners and employees need to take responsibility for this. Government agencies should look to work with business owners to resolve this problem, rather than going over their heads through a general awareness campaign.

## More information

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