

26th May 2006.

Don O'Connor
Business Regulation Forum
Forfas
Wilton House
Wilton Place
Dublin 2.

06146BRF

Dear Don,

ISME SUBMISSION

I enclose 3 copies of the ISME submission to the Business Regulation Forum for your attention.

Please contact me should you have any queries.

Yours sincerely

Mark Fielding
Chief Executive
ISME
The *independent* business organisation



IRISH SMALL AND MEDIUM
ENTERPRISES ASSOCIATION LTD

17 Kildare Street, Dublin 2

Tel: 01 6622755

Fax: 01 6612157/6610517/6627812

Email: info@isme.ie www.isme.ie

ADDRESSING BUREAUCRACY, ADMINISTRATIVE BURDENS AND RED-TAPE

***ISME SUBMISSION
TO THE BUSINESS REGULATION FORUM***

ISME, May 2006

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EXECUTIVE SUMMARY & RECOMMENDATIONS

GENERAL

- Each government department should be instructed to carry out a full assessment of all legislation under their remit in relation to the cost burden on business versus the benefits of the legislation. From this base assessment, decisions can then be made on which regulations can be modified or scrapped to reduce the burden on business.
- The STANDARD COST MODEL being used in many jurisdictions would be the ISME preferred option for this process.
- It would also be essential that a central coordinating body with relevant powers be given the role to carry out this process, under a single ministry, within a given time frame and with specified targets on administrative burden reduction within each department. The minister mandated must also oversee and ensure total inter-ministerial cooperation and coordination. It is also essential that business interests, both large and small are involved in this process.
- Regulatory impact assessments should be introduced on all legislation and regulations that are imposed on small business and formal assessments of the merits exemptions for small business on all new legislation.

LABOUR LAW

- The requirement to record data of starting, finishing and break times of all employees and retain them for a period of up to three years should be scrapped with immediate effect.
- Under the Working Time Act employees are not allowed to work beyond 48 hours a week. This should be averaged over 12 months rather than four months presently.
- Decisions by the Employment Appeals Tribunals and the Rights Commissioner Service should be published on the Internet as is currently the case for Labour Court recommendations.
- Under the Industrial Relations (Amendment) Act 2004 a Trade Union should be allowed bring an SME to the Labour Court with regard to terms and

conditions of employment (but in reality seeking trade union recognition) only if more than 50% of employees indicate that they are in fact members of the Union concerned and are in favour of the process.

TAXATION

- **We would recommend scrapping Form 46G entirely as this information is already in the company accounts and it is simply creating duplication.**
- **Abridged accounts should be able to be electronically filed as is currently the case with the B1 form.**
- **Dispense with the Annual Return of Trading Form as it is a duplication of work.**
- **The Intrastat form needs to be reviewed and simplified to take into account the resources at the disposal of smaller companies in particular.**
- **The ceiling for payment of VAT on a cash receipts should be increased from the current level of €35k, to €3million per annum**
- **The VAT registration thresholds should be increased from €27,500 to €35,000 for service companies and from €5,000 to €70,000 for goods. It is estimated that this would cost in the region of €5m.**
- **All the Accounts extracts in ROS should be able to be filed electronically. As it stands at present companies have to complete the accounts, and then extract small detailed pieces of information and manually post these in ROS.**
- **Some of the mandatory fields in ROS are not suitable for use for someone with simply an Income & Expenditure account, or Case V income only. The Association would recommend that some fields could be suppressed in some cases.**
- **Visits by revenue at business start-up should be reintroduced to enlighten first time managers and encourage compliance.**
- **Regulations for Employee Financial Participation schemes should be simplified as this has placed an unfair disadvantage on SMEs in the retention and recruitment of management and staff. The existing regulations are so complicated that very few small businesses have introduced these schemes, despite their willingness to do so.**

LATE PAYMENTS LEGISLATION

- **As and from the 1st January 2007 all companies with a turnover of €10m plus would have to pay their creditors by end of month after the month of delivery.**
- **As and from 1st January 2008 all other companies, i.e. with a turnover of less than €10m, would have to pay by end of month after the end month of delivery.**
- **Company Auditors should in their audit report confirm that the company has complied with the terms of the legislation as outlined above. Where non-compliance is found the auditors will be required to report such non-compliance to the Director of Corporate Enforcement who will ensure that interest on late payments are made by the defaulting company to their suppliers. Specific powers as required would be provided to the Director of Corporate Enforcement to enable them to undertake this.**
- **The Association recommends the setting up of a Central Commercial Debt Register within the Department of Enterprise Trade & Employment, with legal powers attached to collect a debt. After receiving a complaint the central registrar will contact the debtor and impose costs including the costs of the supplier and for the service of the registrar. This would ensure the service should be paid by the non-compliant debtor and that the full debt would be received by the supplier.**

ENVIRONMENTAL

- **Simplify the cumbersome procedure that is currently in place for packaging regulations and make self-compliance a possibility for the majority of companies.**
- **Carry out a sectoral analysis to establish sectors with the highest packaging use, therefore avoiding the incidence of local authorities forcing companies to carry out audits in sectors that place small amounts of packaging in the marketplace.**
- **Investigate the possibility of introducing competition to the marketplace.**

- Do a comprehensive risk analysis for smaller companies on the impact of all proposed packaging regulations instead of presenting them effectively as a fait accompli as seems to be the case at present.
- The Association would recommend that the Department of the Environment carry out an impact assessment to establish the affect of the WEEE regulations on smaller businesses and consequentially to introduce initiatives that would reduce the 'onerous' administrative burdens that apply.

HEALTH & SAFETY

- Under the Health & Safety act scrap the requirement for formal consultation for smaller companies particularly those with less than 10 employees.
- Modify the requirement for a company to carry a safety statement that refers to each individual job the company is doing where the particular process is similar in each case.
- ISME recommends that new sectoral codes of practice, including electrical, manufacturing, construction sectors, be issued by the Health & Safety authority in plain practical language specifically for smaller companies, outlining a step by step guide to the safety statement and other health & safety issues.

IRISH MEDICINES BOARD

- The Irish Medicines Board should be required to implement their regulations as they were intended and not on their interpretation, particularly in the area of the sale of First Aid kits and supplies, which is putting the livelihoods of many small companies at risk.

STATISTICAL

- Encourage increased co-operation between state agencies, including the Revenue Commissioners, the Companies Registrations Office and CSO with regard to sharing information, which is readily available to one or the other.

- The CSO should amend its monthly, quarterly and annual questionnaires so that they can be completed using the monthly, quarterly and annual accounts of well run businesses.
- We propose that the CSO promote the valuable commercial business information it has in its computer system, but which most of industry is ignorant of.

COMPANY LAW

- ISME recommends that the Consolidated Companies Act be divided into two specific sections. The main section would deal with Company Law as it affects PLCs etc. The second and presumably much smaller section will refer to small and medium companies' requirements.

BUSINESS REGULATION FORUM

- ISME would also recommend to the Business Regulation Forum that it would publish, on a regular basis, a list of the least effective or most burdensome administrative requirements and the government departments responsible for them. The Forum could then require the relevant departments to justify the regulations and if unable to do so, the regulation should be scrapped.

INTRODUCTION

ISME, the *Independent Business Organisation*, is the only representative group in Ireland specifically representing the SME sector with a membership of over 4,500 member companies. Membership is comprised exclusively of entrepreneurs who own and manage competitive businesses, the true risk-takers in the economy.

In response to the Business Regulation Forum the Association is extremely concerned at the increasing levels of bureaucracy, regulations and red tape, which are having a detrimental effect on SME companies and stifling their abilities to innovate and grow.

It is the strongly held view of industry in general, and small and medium-sized firms (SMEs) in particular, that business in Ireland is unnecessarily and severely handicapped by the amount of regulation imposed by excess bureaucratisation.

Over-regulation is stifling growth, reducing competitiveness and restricting employment growth. Regulations are imposing costs and inflexibilities, which frustrate enterprise, hamper innovation and deter investment.

The burden of red tape on the corporate sector is excessive. In order to comply with legislation, small business owners are forced to read, understand and implement almost 1,000 different issues that have an impact on their business in areas, including taxation, industrial relations, auditing, and health and safety. In addition, small firms are expected to complete hundreds of core forms every year to comply with the requirements of many state bodies including the Revenue Commissioners, the Central Statistics Office (CSO) and the Companies Registrations Office (CRO).

It is estimated that unnecessary regulations cost Irish business €600m in 2003. Research has shown that the relative costs of complying with administrative burdens are up to 30 times greater on small firms than larger businesses.

The burden is that much greater on small business where the owner manager is wholly responsible for all aspects of the business and the people he or she employs. Every hour spent on form filling is one less hour spent on running the business. Moreover, this can put

off the potential entrepreneur or drive him or her unwillingly into the “informal economy”. Regulations also impose burdens on the state itself through the need for the explanation and enforcement of often complex rules to businesses. A good deal of time and energy of officials in central and local Government is taken up by enforcing and applying regulations. Simplification will save time, money and staff effort for Government itself as well as making life more straightforward.

While individual regulations may themselves be minor, the cumulative effect on small businesses is time-consuming and costly. In a competitive environment, businesses already have enough to do. Regulation diverts precious time and energy that would be far better used in generating products, services, sales and, ultimately, jobs.

Deregulation does not mean the removal or reduction of necessary standards in the fields of environment, consumer, health and labour protection. Deregulation simply means a reduction in the number of over-prescriptive, complicated and frequently contradictory regulations.

As representatives of SMEs, we would like to see the Business Regulation Forum ensure that legislation is based on sound scientific evidence that takes account of costs, benefits and risks; unnecessary documentation be amended, simplified or abolished; increased co-operation between state agencies, including the Revenue Commissioners, the CRO and CSO with regard to sharing information; and, the introduction of regulatory impact assessments for all legislation and rules imposed on small business.

In this submission we recommend a number of specific initiatives to reduce the administrative burden on business. However ISME is convinced that each government department should be instructed to carry out a full assessment of all legislation under their remit in relation to the cost burden on business versus the benefits of the legislation. From this base assessment, decisions can then be made on which regulations can be modified or scrapped to reduce the burden on business. The STANDARD COST MODEL being used in many jurisdictions would be the ISME preferred option for this process. It would also be essential that a central coordinating body with relevant powers be given the role to carry out this process within a given time frame and with specified targets on administrative burden reduction within each department. It is also essential that business interests, both large and small are involved in this process.

LABOUR LEGISLATION

One of the areas of greatest concern to small businesses is the excessive amount of labour legislation, which is being imposed, on the sector. The highly regulated labour market in Ireland is having a detrimental effect on the Country's ability to remain competitive. The influx of new rules and regulation from the EU and domestically remain a massive problem for small businesses. The increased level of bureaucracy has resulted in almost 50 new pieces of labour legislation alone being introduced in the last 5 years.

The impact of this legislation is felt harder by small businesses, as they are primarily labour intensive. Increased labour legislation has been identified as a significant barrier to small companies with regard to increasing their employee numbers. It is an issue that needs to be addressed immediately by the Government both internally and at EU level.

It is a well known fact that flexibility within SMEs is usually much more far reaching and meaningful than that available in many other employments. It is an issue that needs to be addressed immediately by the Government both internally and at EU level. **Ultimately over-regulation is imposing costs and inflexibilities, which frustrate enterprise, hamper innovation and deter investment while stifling growth, reducing competitiveness and costing Ireland jobs.**

For example,

(1) Under the Organisation of Working Time Act companies are required to record starting, finishing and break times of all employees and retain them for a period of up to three years. This is a cumbersome and mostly futile exercise as employees in general will notify companies if they are not getting their breaks. In fact if anything employees view this as an imposition and an example of 'big brother' at play, which undermines the relationship between owner/managers of smaller companies and their employees, which is based on trust and flexibility. It is the view of the Association that the requirement to record this data should be scrapped with immediate effect.

(2) Also under the Working Time Act employees are not allowed to work beyond 48 hours a week. This can be averaged over four months in most cases. However it would make more sense to average over 12 months as this would make it a lot easier from a working and administrative point of view.

(3) Decisions by the Employment Appeals Tribunals and the Rights Commissioner service should be published on the Internet as is currently the case for Labour Court recommendations. This would help owner/managers in establishing how cases were determined, which is not the case at present.

(4) Under the Industrial Relations (Amendment) Act 2004 a Trade Union can bring an SME to the Labour Court with regard to terms and conditions of employment (but in reality seeking trade union recognition) even if only a small percentage of employees wish to be members of the Union. This is extremely time consuming and costly for the companies involved. We would recommend that the benefit of the Act should only apply if more than 50% of employees indicate that they are in fact members of the Union concerned and are in favour of the process.

Overall, besides the huge amount of legislation that needs to be read and understood by small business owners the compliance and enforcement procedures can be complicated, burdensome, bureaucratic and costly and need to be streamlined and simplified. It is also worrying that there has been an increased requirement for legal representation in the Employment Appeals Tribunal, a process that was not initially intended to be dominated by the legal profession and this issue also needs to be urgently addressed.

An example of an administrative burden that has been simplified successfully is under redundancy legislation whereby the Department of Enterprise, Trade & Employment introduced an RP50 form to replace a number of forms. The form can also be completed on-line, which gives a significant assistance and helps to reduce the level of bureaucracy that had existed in a redundancy situation in the workplace. The Department have also introduced an on-line calculator in relation to establishing redundancy payments, which has proven to be extremely useful.

TAXATION

Administration to comply with taxation requirements is another significant impediment to SME businesses with much legislation governing the area and dozens of forms requesting significant amounts of information required. Tax law is an area generally outside the competence of most owner/managers, due to its complexity with the obvious requirement to engage practitioners who are experts in the area for companies to remain compliant.

A number of areas that could be changed to reduce the administrative burden include,

- (1) Form 46G. This information is already in the company accounts and it is simply creating more duplication in order to fill out the form. We would recommend scrapping it entirely.
- (2) Abridged accounts should be able to be electronically filed as is currently the case with the B1 form. This would also save the Company Registration's Office time and energy from having to manually administer the returns.
- (3) The Annual Return of Trading Form – completing this form is a waste of valuable time and a duplication of everything that has already been submitted during the year. The Association recommends that this form be dispensed with.
- (4) The Intrastat form for customs & excise is constantly being identified as being particularly problematic, cumbersome and costly in terms of time and money. This form needs to be reviewed and simplified to take into account the resources at the disposal of smaller companies in particular.
- (5) VAT collection procedures, which impose an administration burden on smaller companies, need to be reviewed. The ceiling for payment of VAT on a cash receipts should be increased from the current level of €635k, to €3million per annum, thereby improving the cash flow of many SMEs and reducing the level of paperwork involved. This would not impose a direct cost to the State

- (6) The VAT registration thresholds should be increased from €27,500 to €35,000 for service companies and from €55,000 to €70,000 for goods. It is estimated that this would cost in the region of €55m.
- (7) While it is generally accepted that the introduction of ROS has been significantly beneficial, there is still room for improvement. For instance the Accounts extracts in ROS should be able to be filed electronically. As it stands at present companies have to complete the accounts, and then extract small detailed pieces of information and manually post these in ROS.
- (8) Some of the mandatory fields in ROS are not suitable for use for someone with simply an Income & Expenditure account, or Case V income only. At present, in these cases, the accounts and returns have to be filed in paper format, and the company loses the additional benefits of e-filing. The Association would recommend that these fields could be suppressed in some cases.
- (9) Visits by revenue at business start-up should be reintroduced to enlighten first time managers and encourage compliance.

ISME also recommends that regulations for Employee Financial Participation schemes be simplified as this has placed an unfair disadvantage on SMEs in the retention and recruitment of management and staff. The existing regulations are so complicated that very few small businesses have introduced these schemes, despite their willingness to do so.

LATE PAYMENTS FOR COMMERCIAL TRANSACTIONS

Late Payments Regulation came into effect on 7th August 2002. The regulations allow that where the purchaser does not pay for goods or services concerned by a relevant date, the supplier shall be entitled to interest on the amount outstanding under the contract concerned at a specified rate.

In the case of an agreed contract, payment is regarded as late if the payment period exceeds the date or end of the period for payment specified in the contract. Where the contract does not specify a payment period a default payment period of 30 days will apply. Failure to pay within the designated period would attract an interest rate penalty, currently at 9.25% per annum.

The legislation has not worked and in fact ISME research would confirm that it is taking smaller companies longer to get paid than when the legislation was introduced. A recent ISME survey confirmed that 30% of members have to wait longer for payment than in the preceding 12 months with only 7% being paid quicker despite the legislation being in place. This is leading to increased administration and cost in the collection process.

SUGGESTION

To address the issue ISME proposes the following,

- **As and from the 1st January 2007 all companies with a turnover of €10m plus would have to pay their creditors by end of month after the month of delivery.**

As and from 1st January 2008 all other companies, i.e. with a turnover of less than €10m, would have to pay by end of month after the end month of delivery.

- **The company Auditors must in their audit report confirm that the company has complied with the terms of the legislation as outlined above. Where non-compliance is found the auditors will be required to report such non-compliance to the Director of Corporate Enforcement who will ensure that interest on late payments are made by the defaulting company to their**

suppliers. Specific powers as required would be provided to the Director of Corporate Enforcement to enable them to undertake this.

- The current legislation already provides for the Department of Enterprise, Trade & Employment, to investigate those companies who constantly breach the terms of the legislation. Building upon this suggestion the Association recommends the setting up of a Central Commercial Debt Register within the Department, with legal powers attached to collect a debt. After receiving a complaint the central registrar will contact the debtor and impose costs including the costs of the supplier and for the service of the registrar. This would ensure the service should be paid by the debtor and that the full debt would be received by the supplier.

ENVIRONMENTAL LEGISLATION

While the Association appreciates and concurs with policies, within reason, that will lead to the protection of the environment there are a number of concerns in relation to how legislation is being introduced and implemented.

Waste Packaging Regulations

These regulations introduced in 1997 and amended in 2003 are extremely onerous for companies who wish to self-comply and almost impossible for companies who are above the threshold of 25 tonnes with a turnover over €1m. For instance, out of an approximate 15,000 companies nationally who are affected by the regulations only 43 companies in the Country are self-compliant. The point being that the system has been set-up to make self-compliance as onerous as possible ensuring that smaller companies that are over the present thresholds have no option but to register with Repak, who operate a monopoly in the area.

There are now proposals to reduce the threshold, which will impact on SMEs, without the ability to self comply. Reducing the threshold without properly enforcing the existing legislation must be seen for what it is: an attempt to increase revenue for Repak through the targeting of small business, the easy targets. The attempt to reduce the threshold should be investigated by the Forum as it compounds the situation for a considerable number of small companies and will increase their administrative burden.

There is also evidence that the local authorities have been targeting the wrong companies, with many small businesses who are clearly under the threshold being requested to undertake expensive audits to establish that fact. ISME has evidence that in some cases companies with minimal packaging are being requested to carry out these audits. For instance, a survey of 15 companies, each with a turnover greater than €1million that have been required by local authorities to carry out packaging audits, confirmed that 70% were below the 25 tonne threshold and 60% were below the new proposed 15 tonne threshold.

Compounding the issue from an SME perspective is that the Department of the Environment is proposing to reduce the threshold with an immediate reduction from 25 tonnes to 15 tonnes and a further reduction to 10 tonnes from 2009. This will bring a

significant number of additional companies into this administrative mire. The new proposed thresholds are in our view specifically introduced to boost Repak's finances and will ensure that our regulations will be among the most rigid in Europe creating a significant competitive disadvantage for smaller companies, especially those trading across the Border and in the UK where the threshold is €2,85m turnover and 50 tonnes.

To achieve the objectives, as the draft regulations purport to do, i.e. reach the agreed recovery targets in 2011, it is the view of the Association that amending the regulations will only lead to increased administration and cost for smaller companies and as outlined will make little or no difference in increasing the level of recycling in the marketplace. We are also of the view that the current legislation could be implemented in a more efficient manner and would suggest that the following recommendations be considered,

- (1) Instead of making self-compliance an impossibility for the majority of companies, review it as an option by,
 - Studying international experience
 - simplifying the cumbersome procedure that is currently in place,
 - reducing and simplify the administration involved, and
 - re-evaluate the fee structure.**

- (2) A sectoral analysis should be done to establish sectors with the highest packaging, therefore avoiding local authorities forcing companies to carry out audits on companies in sectors that place small amounts of packaging in the marketplace.**

- (3) Investigate the possibility of introducing competition to the marketplace.**

- (4) Do a comprehensive risk analysis for smaller companies on the impact of all proposed packaging regulations instead of presenting them effectively as a fait accompli as seems to be the case at present.**

Waste Electrical and Electronic Equipment (WEEE) Directive 2005

Under these new regulations, which came into force in August 2005 retailers and producers have a number of obligations with regard to recycling of old electronic and certain battery operated products when new equipment is sold. In addition, householders are able to take electrical items to civic amenity sites where local authorities will have to take them in for free.

The regulations ensure that small companies involved in manufacturing or distributing electrical goods have to comply with many onerous terms, including transporting and disposing of household electrical goods and the administrative requirements set down at National level. Consequently, small companies involved in the sector are faced with increased administrative, staff, transport, storage and other associated indirect costs, together with the increased cost of actually recycling the products. These costs are significantly adding to the already burgeoning cost environment in which these companies operate.

The legislation was primarily introduced to address recycling of 'white goods' by the major manufacturers throughout Europe but sectors that are not included under the 'white goods' heading, such as Jewellers will also be affected. The ripple effect of the legislation has been to impact in far more areas of the economy than was originally anticipated.

While the Association is supportive of policies that promote recycling of waste, it is our opinion that the implementation of the legislation in Ireland is rushed, badly planned and will cause more problems than it was supposed to address. It is another example of the Government abdicating their responsibilities by putting the onus on the business community once again to 'clean up' for Government ineptitude in addressing the problem long before now. Businesses are already paying 'through the nose' for waste charges, which have increased by 123% in the last 4 years. The introduction of this Directive, in its current format, will significantly add to these costs, which will have to be passed on to the Consumer.

The Association would like the Department of the Environment to carry out an impact assessment to establish the affect of the regulations on smaller businesses and consequentially to introduce initiatives that would reduce the 'onerous' administrative burdens that will apply.

HEALTH & SAFETY LEGISLATION

Safety, Health & Welfare at Work Act 2005

The Safety, Health and Welfare at Work Act 2005, which came into force on 1st September 2005, repealed and replaced the Safety, Health and Welfare at Work Act 1989 and was brought in to make further provision for the safety, health and welfare of persons at work. This Act clarifies and enhances the responsibilities of employers, the self-employed, employees and various other parties in relation to safety and health at work. The Act also details the role and functions of the Health and Safety Authority, provides for a range of enforcement measures that may be applied and specifies penalties that may be applied.

The Act has been identified as creating difficulties for smaller employers for a number of reasons.

- (1) There is an increased onus on employer responsibility and in particular in the area of formal consultation, which is viewed as being unnecessary for smaller companies particularly those with less than 10 employees.
- (2) The requirement for a company to carry a safety statement that refers to each job the company is doing is extremely cumbersome and in our view unnecessary particularly for those involved in construction related industries.

In order to address the above issues ISME recommends that new sectoral codes of practice, including electrical, manufacturing, construction sectors, be issued by the Health & Safety authority in plain practical language specifically for smaller companies outlining a step by step guide to the safety statement and other health & safety issues. At present there is confusion and a general level of misunderstanding with regard to health and safety requirements in the workplace at the small business level.

IRISH MEDICINES BOARD

The Irish Medicines Board has responsibility for regulating human and veterinary medicines and medical devices available in Ireland, or manufactured in Ireland for Irish or export markets. In certain areas however we feel that they have gone beyond their level of authority and enforce cumbersome regulations in areas that in our view is not necessary.

For example many small companies who are selling first aid kits are deemed by the Board to be wholesalers and therefore require a license to trade and have to comply with significant administrative requirements. There are no requirements for a licence where sales are made directly to the public. The first aid supply companies are selling to their customers (sports clubs, schools, commercial operations etc., for their own use) who do not sell-on the product and therefore their client base is the end user and the suppliers by definition are not wholesalers.

The Irish Medicines Board also is attempting to stop these small first aid kit suppliers from selling the contents of these kits, as they are deemed to be medical, even though the product in question is available for sale in non-pharmacy retail outlets.

The imposition of this requirement will create an anticompetitive situation in relation to retail outlets and would cause these small firms to suffer commercially and therefore the Irish Medicines Board should be required to implement the regulations as they were intended and not on their interpretation, which is putting the livelihoods of many small companies at risk.

STATISTICAL RETURNS

The CSO dispatches some twenty detailed and complicated questionnaires each year. Allowing for a variation in the complexity of the questionnaires, compliance can cost companies several executive man days per annum. That is primarily caused by the CSO looking for data in a form which is different from how most companies compile their statistical information. Consequently, the onus is on the company to re-work its data to suit the information requirements of the CSO.

On the other hand businesses need sound and reliable statistical information in order to plan their development. For most business people the format of CSO publications renders them of no great value and is consequently not prized for the valuable information they contain.

In brief, the CSO seeks statistical data in a manner at odds with the way commercial businesses compile their data and subsequently fail to present that huge information source in a manner that is readily of use to the business community.

Also much of the information requested is already in the possession of other areas of the State in particular the revenue commissioners and the Company Registrar's Office.

ISME proposes,

- (1) There should be increased co-operation between state agencies, including the Revenue Commissioners, the Companies Registrations Office and CSO with regard to sharing information, which is readily available to one or the other. This would help to reduce the amount of information requested by the CSO in particular.**
- (2) The CSO should amend its monthly, quarterly and annual questionnaires so that they compliment the monthly, quarterly and annual accounts of well run businesses. Such an approach would significantly lessen the compliance costs particularly for SME businesses.**

(3) We propose that the CSO promote the valuable commercial business information it has in its computer system, but which most of industry is ignorant of. The CSO is a mine of untapped commercial information that would be of real beneficial interest to the generality of businesses if properly presented. When the CSO request information from business, for example on wage rates, it should subsequently respond to that company with the overall results, so the business can compare their wage rates with other businesses. The company can also see the benefit of returning the information requested, which is not the case at present.

COMPANY LAW

It is accepted that we must have a compliance regime that is both strict and well enforced if we are to have confidence in our business community. However, it is equally clear that any regime which has an impact on either the competitiveness of Irish-based businesses or which inadvertently leads to lower standards of corporate governance is not in the country's best interests.

One situation where compliance legislation could have had a serious impact on the competitiveness of corporate Ireland was the legislation on directors' compliance statements.

The introduction of the Companies (Auditing and Accounting Act) 2003 brings to eleven, the number of separate Companies Acts, comprising of over a thousand different sections amending replacing and repealing earlier sections, together with EU Directives and statutory instruments further altering the enactments. This minefield of legislation is impossible to interpret, not only for small business owners, but also, in many circumstances, for practitioners.

Added to the owner managers burden is the fact that Irish Company law contains many indictable offences. Company directors, who do not comply with relatively simple company law provisions, could expose themselves to exorbitant financial and non-financial penalties, including imprisonment.

ISME recommends that the Consolidated Companies Act be divided into two specific sections. The main section would deal with Company Law as it affects PLCs etc. The second and presumably much smaller section will refer to small and medium companies.

CONCLUSION

Over-regulation is stifling growth, reducing competitiveness and costing Ireland jobs. Regulations are imposing costs and inflexibilities, which frustrate enterprise, hamper innovation and deter investment. Irish business does not need more regulation. Ireland needs fewer, better quality, less burdensome regulations.

Deregulation means a reduction in the overwhelming number of over-prescriptive, over-complicated and frequently contradictory regulations. The **cumulative effects** of too many regulations damage growth and competitiveness. Deregulation should help business compete unhindered in the global market.

Ireland's ability to meet the global challenge depends upon creating the right conditions for investment and research and development so that it can capitalise on innovation, productivity leads, and niche markets. **We cannot win the race for competitiveness if we handicap ourselves with excessive and burdensome regulations. Deregulation means the elimination or simplification of regulations, which hinder our ability to innovate and grow.**

The objectives of the Government and future administrations must be to provide an environment where SMEs can flourish. This will involve eliminating restrictive legislation and practices that prohibit growth. In spite of commitments to reducing the bureaucratic burden on industry, the administrative compliance costs continue to mount. Each Government Department, Agency and State Authority, acting independently of each other, imposes a new administrative imposition on industry without taking cognisance of the whole. From an employer's perspective each individual demand may have validity but the cumulative burden brings the whole process into disrepute.

Other EU countries, convinced of the dangers red tape can pose to competitiveness, have already started to reduce the burden. The German government, which is noted for its bureaucracy, has launched a "master plan for reducing bureaucracy". It is starting right at the bottom, getting rid of petty workplace regulations such as those that stipulate where businesses must place light switches.

In Britain, as part of an overall reform of regulations, 11 MPs have been given responsibility for standardising and centralising business compliance and reducing it where necessary. This has led to 2,500 government forms being scrapped.

The Dutch have championed the Standard Cost Model for reduction in administrative burdens and have been successful in its initial implementation. ISME recommends that this system be introduced in Ireland without delay and requests that the Business Regulation Forum forward this system as a matter of urgency to the Minister for Enterprise Trade & Employment.

With regard to the situation in Ireland, ISME would like to see,

- effective consultation with small and medium firms and their representatives,
- regulation as a last resort,
- clear sign-posting and communication of new legislation and
- recognition that one size does not fit all

This can only be done by,

- **Regulatory impact assessments being introduced on all legislation and regulations that are imposed on small business and formal assessments of the merits exemptions for small business on all new legislation.**
- **SMEs should be exempt from certain labour regulations, which prevent flexibility in the workplace and demand excessive amount of the owner/managers time, which would be put to far better use to the benefit of the business.**
- **Unnecessary documentation should be amended, simplified or abolished.**
- **Standards should be based on sound scientific evidence and take account of costs, benefits and risks. They should not act as barriers to trade.**
- **There should be increased co-operation between state agencies, including the Revenue Commissioners, the Companies Registrations Office and CSO with regard to sharing information, which is readily available to one or the other.**

ISME would also recommend to the Business Regulation Forum that it would publish, on a regular basis, a list of the least effective or most burdensome administrative requirements and the government departments responsible for them. The Forum could then require the relevant departments to justify the regulations and if unable to do so, the regulation should be scrapped.

The Government needs to have regard to its own stated intention that regulation should be *fair, balanced and effectively implemented in order to encourage commerce, ensure competitiveness, secure confidence in business and secure the welfare of citizens*".