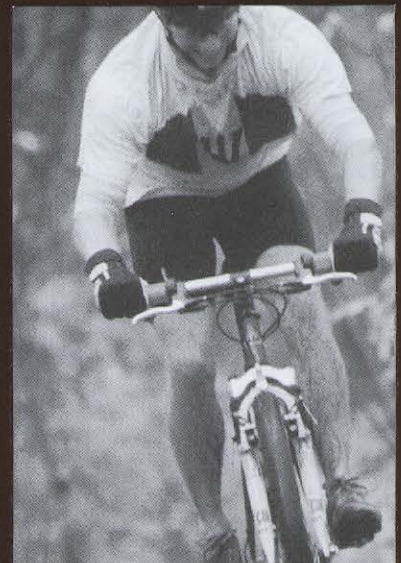


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**TRANSPORT
&
GOVERNMENT**

QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT

Issue number 3 • Volume 8 2000

CONTENTS

This is the third issue of a series of small business management reports based on surveys of a range of small firms, mainly in manufacturing, retail distribution and business services. The focus of this survey was on Transport & Government. The research findings were as follows:

● Business needs causing most concern – Confidential government 'Red Top' contracts and transport requirements followed by 'Total tax burden', 'Labour costs' and 'Fuel or transportation costs'.

● Overhead of government 'Red Top' contracts – This was the highest overhead for the major firms surveyed because of the high cost of the contracts and the narrow margins.

● Concern over fuel or transportation costs – This was one of the major concerns with the general average for retail distribution firms being 10% higher than for manufacturing. This combined with only 4% of manufacturing firms having a fleet.

● Concern over fuel or transportation costs and gender difference – Women respondents were more concerned than men about less competitive government 'Red Top' contracts.

Transport & Government

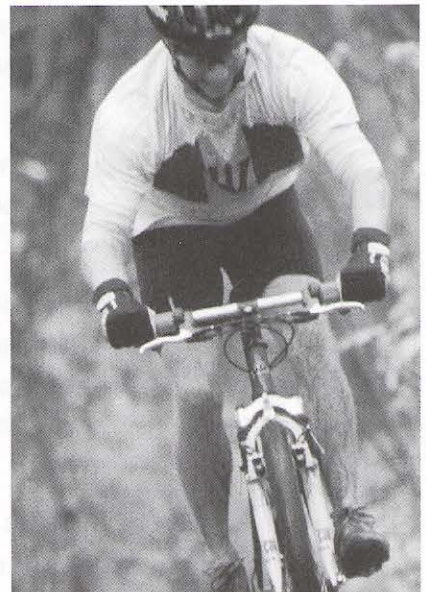
62% of the respondents were not an important issue for them, with only one retailer/manufacturer being more than 10% and many others less likely.

● Further research is needed in different sectors – Further research is needed to establish the importance of fuel and transport costs to the business of different sectors.

● The need for fuel or transportation costs – Many retailers, manufacturers and service providers are concerned that government contracts are being awarded to firms that are not competitive.

● Further research is needed on gender differences – Small business owners appeared less concerned than their male counterparts to be asked for fuel or transport costs. This may be because of women's greater involvement in the business and their greater knowledge of the costs of running.

LLOYDS TSB
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**TRANSPORT
&
GOVERNMENT**

QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT

SMALL BUSINESS RESEARCH TRUST
based at
OPEN UNIVERSITY BUSINESS SCHOOL
WALTON HALL, MILTON KEYNES, MK7 6AA
TELEPHONE: 0190 865 5831
E-MAIL: b.porter-blake@open.ac.uk

WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

**John Stanworth, Emeritus Professor,
University of Westminster**
<http://www.westminster.ac.uk/schools/business>

**David Purdy, Visiting Fellow,
Kingston University**
<http://business.kingston.ac.uk/sbrc>

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WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

HIGHLIGHTS

This is the thirty-first in a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Transport & Government**.

The principal findings were as follows:

- **Business costs causing most concern** – **‘Central/local government ‘Red Tape’ came out top** amongst respondents, followed by **‘Total tax burden’**, **‘Labour/direct staff costs’** and **‘Fuel or transportation costs’**.
- **‘Central/local government ‘Red Tape’ concerns** – These were more in evidence amongst the **larger firms**, possibly because the smallest firms are exempt from certain legislative demands.
- **Concern over ‘Fuel or transportation costs’** – These varied by industrial sector, **with the greatest amongst the retail/distribution firms**, where 20% rated it their primary concern. This contrasted with only 4% in manufacturing and 12% in business services.
- **Concern over ‘Fuel or transportation costs’ and gender differences** – Women were strikingly more concerned than men, though less concerned about **‘Central/local government ‘Red Tape’**.
- **Problems in passing on rising fuel costs** – 53% of the respondents could only pass on less than a third of the increases experienced over the past year. However, **nearly a third of the firms indicated that the increased costs were not an important issue for them**, with smaller retail/distribution firms more likely to feel this way, and **manufacturers less likely**.
- **Problems in passing on rising fuel costs in different sectors** – **65% of manufacturing respondents were unable to pass on more than a third of the increases**. Fewer business services firms (47%) and retail/distribution firms (37%) suffered in the same way.
- **The need for fuel tax concessions** – Nearly half (45%) thought there should be **no special concessions for business and that businesses should pay the same fuel taxes as the population in general**. Thereafter, 17% favoured tax cuts of up to 10% off current pump prices, 21% favoured 10-25% cuts and a further 17% favoured cuts as generous as over 25%.
- **Fuel tax concessions for business and gender differences** – **Female small business owners appeared less inclined than their male counterparts to be calling for fuel tax cuts**. Over half (56%) of women, compared to 43% for males, favoured the idea of no special fuel tax concessions for businesses.

continued ...

- **Concern over traffic-related issues** – **‘Increased traffic congestion’ was the most widely felt**, followed by **‘Rising air pollution’, ‘Climate change’ and ‘Rising noise pollution’**. Whilst male and female respondents gave exactly the same rankings to these factors, in most cases female concerns registered at a somewhat higher level.
- **‘Climate Change’ concerns correlated with age** – the younger entrepreneurs were more concerned than their older counterparts.
- **Solutions to the challenge of traffic congestion** – **‘Peak hours charges’** followed by **‘Tolls on motorways’** emerged most strongly. Only 3% suggested an increased road fund licence.
- **Trends towards cars with smaller engines or lower fuel consumption** – 38% of male and 13% of female respondents said there had been a movement towards lower fuel consumption/smaller engines.
- **Homeworking** – **Over half of the male sample had explored the possibilities of greater home working**, which can bring reduced fuel consumption, compared to just under one-third of their female counterparts.

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The Small Business Research Trust wishes to thank all responding firms for their time and effort involved in participation in the production of this Management Report. The Trust acknowledges the help provided by David Purdy, The Open University, and The University of Westminster, in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds TSB in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds TSB.

Report Author – Professor John Stanworth (University of Westminster)

Series Editor – David Purdy

Lloyds TSB

The Small Business Research Trust

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds TSB/Small Business Research Trust Management Report addresses one or more highly topical small business management issues. In this survey we focus on **Transport & Government**.

THE SAMPLE

This report is based on responses received from a panel of over 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. The precise distribution of firms varies from survey to survey, but typically over half of the participants employ fewer than 10 people.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during October-November 2000.

SMALL BUSINESS RESEARCH TRUST

The Small Business Research Trust (SBRT), founded in 1983, is an educational research charity, aiming to advance the education of the public in relation to small and medium-sized enterprises in the United Kingdom and Europe. Further details may be found at www.sbirt.co.uk

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TRANSPORT & GOVERNMENT

When the 180-nation ‘Climate Change’ world conference collapsed in The Hague in November (2000), the seemingly permanent murky, dark and damp European autumn was reminiscent of the epic Harrison Ford film, ‘Blade Runner’. Set in Los Angeles in the year 2020, this film portrayed a dystopia – a planet completely spent and ruined by pollution and ecological neglect, due to corporate and individual greed and indifference. Although the scenario may not represent our immediate destiny, there are underlying trends regarding the inexorable rise in transport (for example, see **Figures 17** and **18** in Appendix 3, p.27).

But what can **we** do as individuals to help – put on an extra sweater and turn down the heating perhaps, walk (or paddle) to work or buy a smaller car ? But does it even seem worthwhile once you have witnessed the massive energy drains caused by cities like Las Vegas. Maybe ‘market forces’ will yet save the day if, as predicted, the planet runs out of fossil fuels this century – or sooner, if a depletion date of 2020 being forecast by others is to be believed.

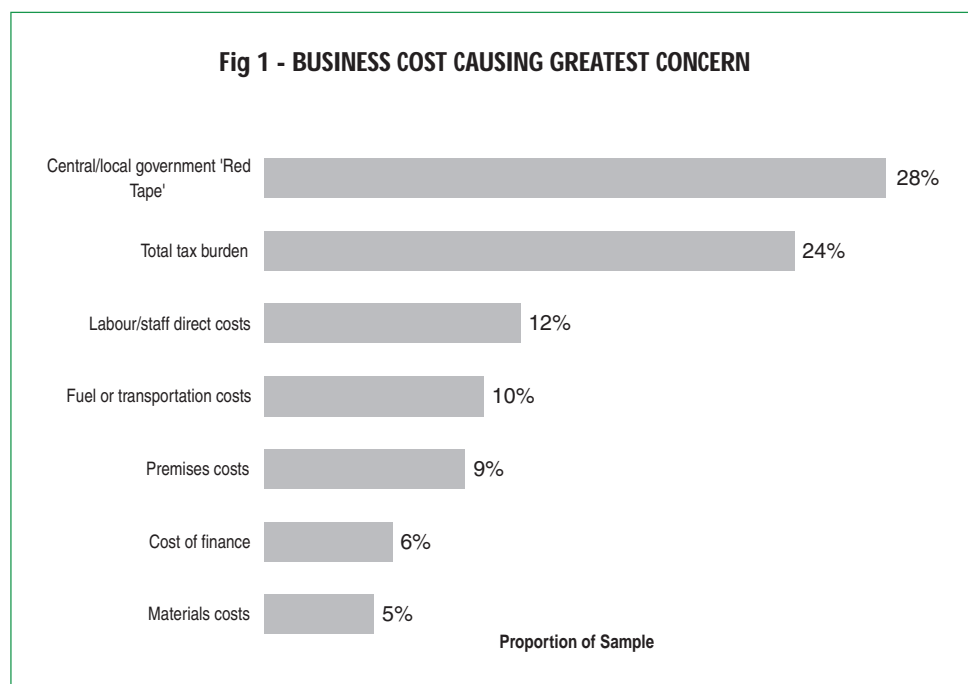
The debate on global warming is not likely

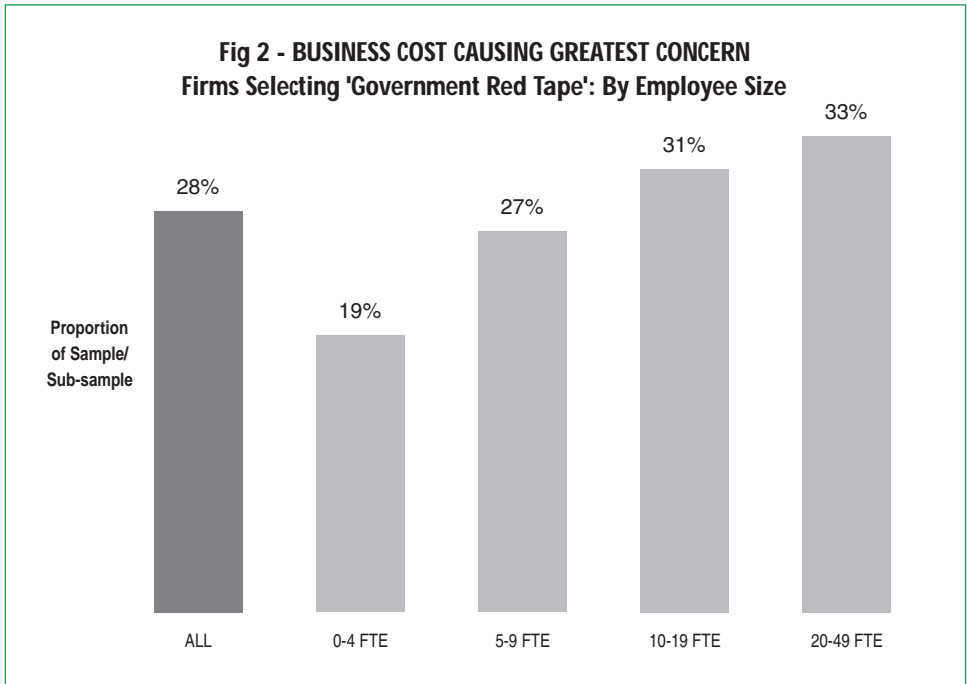
to go away and it is not going to be free of controversy. In the UK and many other Western European countries, for instance, attempts at cutting ‘Greenhouse’ gas emissions have recently run up against very vociferous demands for cuts in fuel taxes. Against this, we are just emerging from a period when the British rail network has been compared to that of India, which Britain herself constructed 150 years ago. This led to an estimated initial 25% drop in rail use.

Against this background, it was decided to explore small business attitudes on transport policy and the role of both business and government.

Small Business Worries

Figure 1 shows responses to our question on which business cost was causing respondents most concern. In line with various other surveys of small business opinion, the issue of ‘Central/local government ‘Red Tape’” came out top, followed by ‘Total tax burden’, ‘Labour/direct staff costs’ and ‘Fuel or transportation costs’. Whilst only 10% overall chose the latter, this does not mean that only that proportion were concerned about transport costs. It simply means that this proportion





saw it as the main problem for themselves, above all other cost.

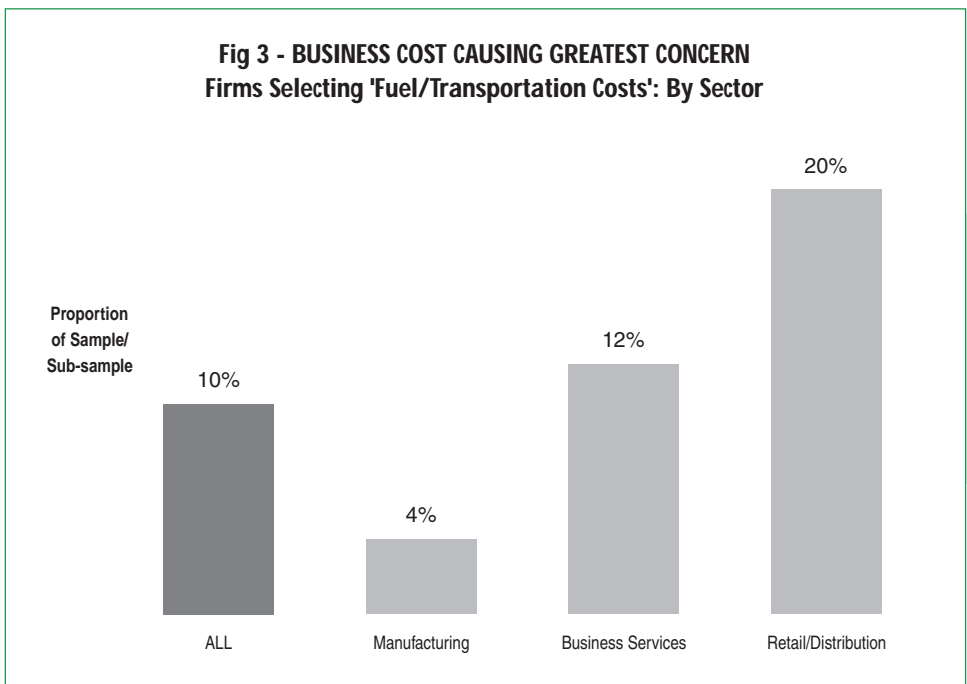
Figure 2 shows that the perceived problem of 'Central/local government 'Red Tape"' increased with size of business.

It might have been considered that, as firms grew, so would their facility to absorb the burden of government compliance costs. But certain exemptions apply to firms below a specified size – such as maternity

leave (fewer than 5 employees), disability legislation (<15 employees) and trade union representation (< 21 employees) – and the trend may represent evidence of the reduced legislative burden that the smallest firms enjoy in contrast to their larger counterparts.

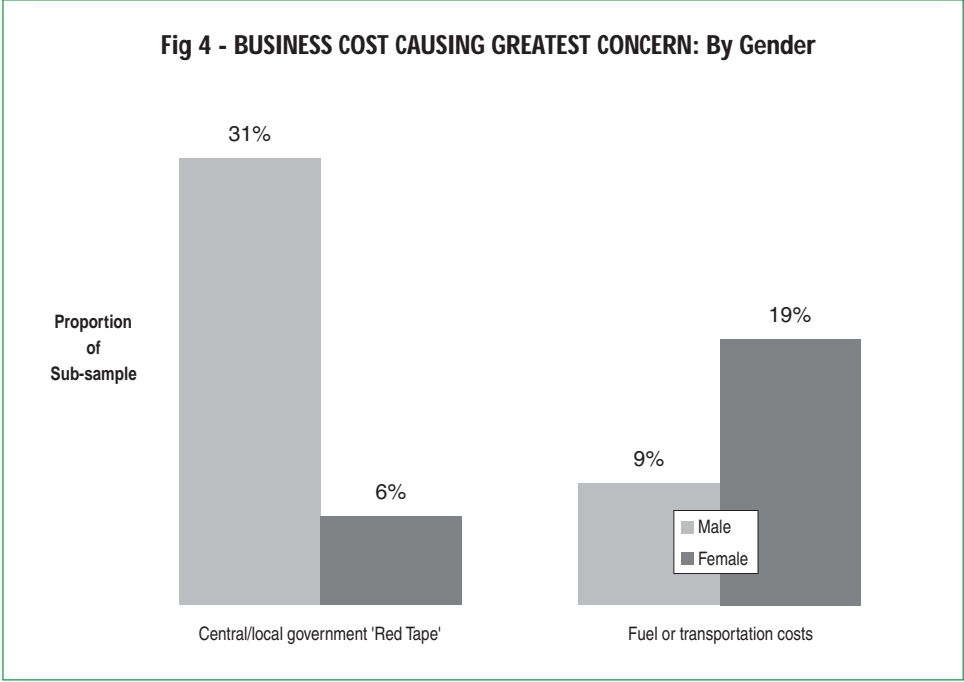
Concerns Over Transport Issues

The importance of 'Fuel or transportation costs' varied with business sector, as



Fuel/transportation costs caused widest concern amongst retail & distribution businesses

Majority of respondents have been unable to pass on rising costs to any significant degree

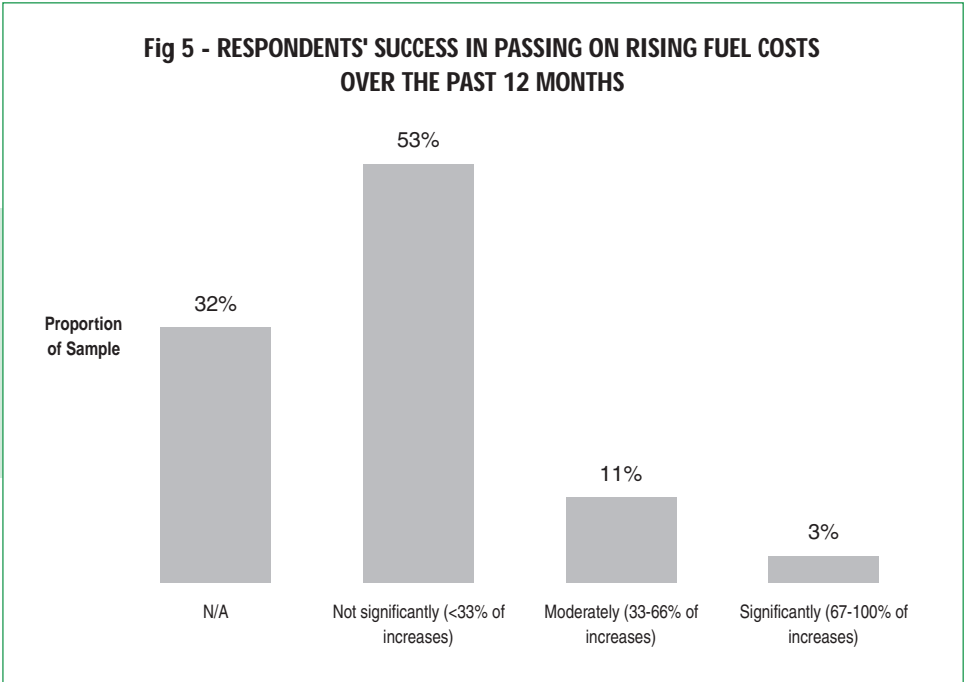


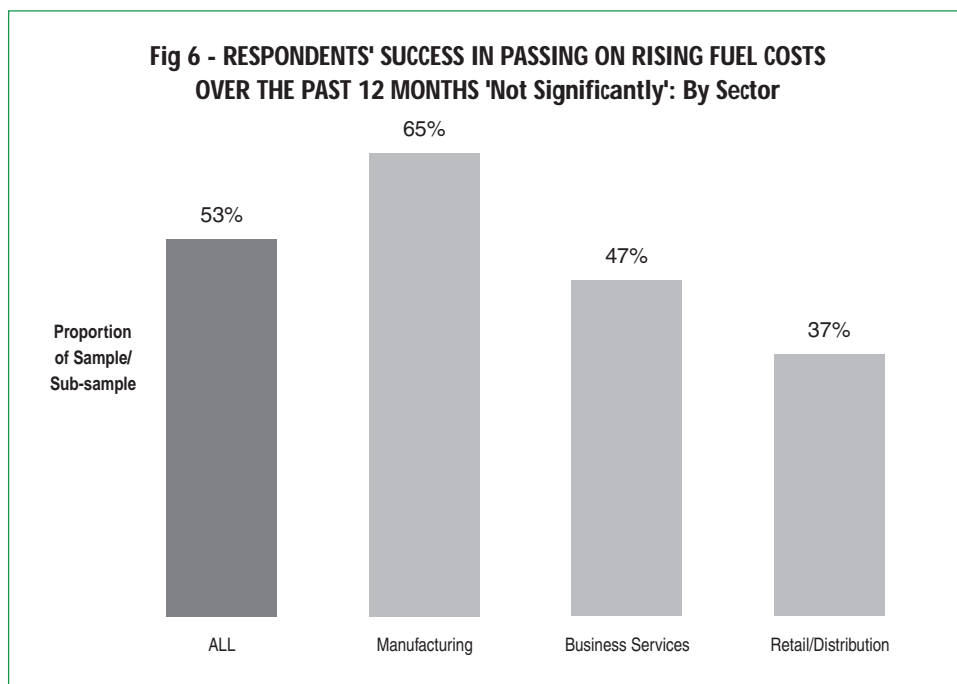
shown in **Figure 3**. Not surprisingly, the higher levels of concern occurred amongst small businesses in the retail/distribution sector, specifically 20%, but only 4% in manufacturing, and 12% in business services.

Figure 4 shows gender differences here with women being strikingly more concerned about 'Fuel and transportation costs' than men, though less concerned about 'Central/local government 'Red Tape''.

The latter observation could be explained by the fact that women usually own smaller businesses than men and, as shown in **Figure 2**, business size can be an issue here.

Other concerns noted by respondents were mainly safety-oriented (including pedestrians and cyclists), and others referred to the depletion of fossil fuels and the eventual fuel shortage.





Manufacturers have been obliged to absorb the bulk of rising fuel costs

Passing On Rising Fuel Costs

According to the Institute of Fiscal Studies, in *The Petrol Tax Debate*, from the time when the Labour Government came to power in May 1997, until June 2000, unleaded petrol increased by 42%, with 26 percentage points due to tax. And from March 2000, post-Budget, to September 2000, unleaded petrol increased by 8.6%, with just over 1 percentage point due to tax.

So respondents were asked to what extent had they been able to pass on rising direct/indirect fuel costs over the past year. The issue did not apply to 32%, but over half (53%) reported that they had been able to pass on **less than a third** of the cost increases, that is, 'not significantly' (**Figure 5**). Thus the impact on low-margin businesses, with high direct/indirect fuel costs, could be highly detrimental. It might also suggest that appreciable numbers of small businesses are at a disadvantage in the market place by having to absorb rising fuel costs rather than being able to pass them on to customers.

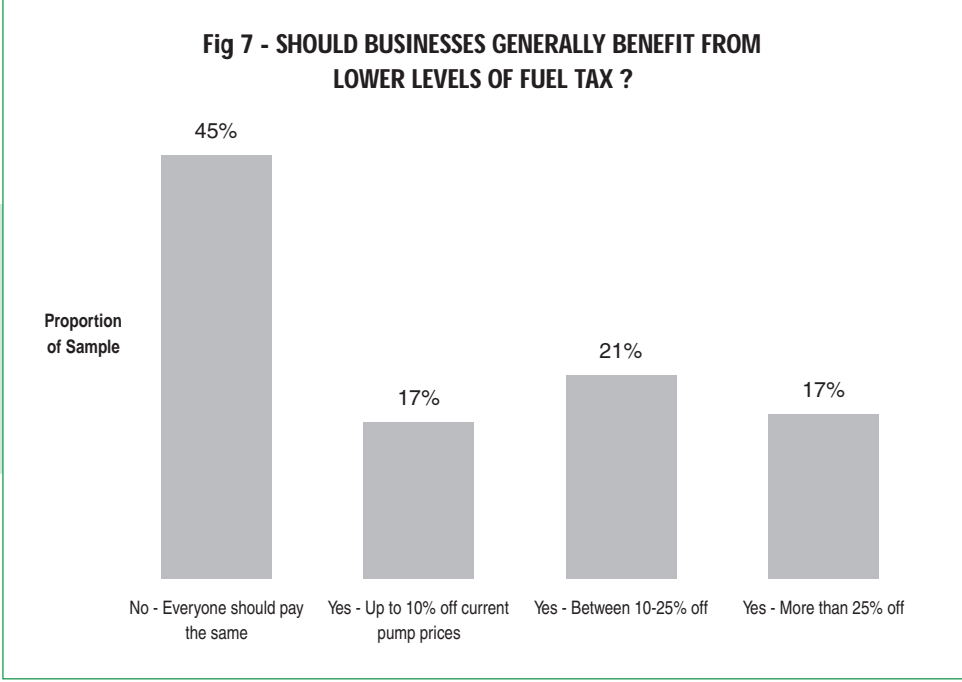
Manufacturing under pressure ?

The widest impact occurred with manufacturing firms (**Figure 6**), with the prospect of 65% of them being forced to absorb over two-thirds of the corresponding cost increases. It should be noted that it is usual, as with our sample, for manufacturing firms to be larger than those in other sectors, in terms of employees. Curiously, the least affected sector was retail/distribution, with only 37% absorbing the rising fuel/transport costs to this extent.

The size breakdown revealed that majority of the smallest firms were tending not to see the rising fuel/transport costs as an issue, whereas a greater proportion of the larger firms did. There were no major gender differences to report.

It should be noted that significantly varying proportions of respondents in the different sectors felt that the issue was **not** important for them ('N/A'). The lowest occurred in manufacturing (14% of these firms), the next highest in business services (44%), followed by retail/distribution (53%). Further investigation revealed that the retail/distribution respondents saying so were often quite small, typically employing

A balance of 10% of respondents favour preferential treatment for businesses



5 FTE employees and selling locally to the public (such as hairdressers, florists and clothes retailers). Our previous research has suggested, somewhat predictably, that vehicle ownership/use decreases with falling firm size, so these 'N/A' respondents may typically be operating only the owner's transport, which could be shared between business and private use.

Fuel Tax Levels

In September 2000, the Petrol Retailers Association calculated that the cost of unleaded petrol at 84.9p would comprise:

- Retailer 4.2p
- Refinery 17.2p
- Government Duty 50.89p
- Government VAT 12.64p

TOTAL Petrol cost/litre 84.9p

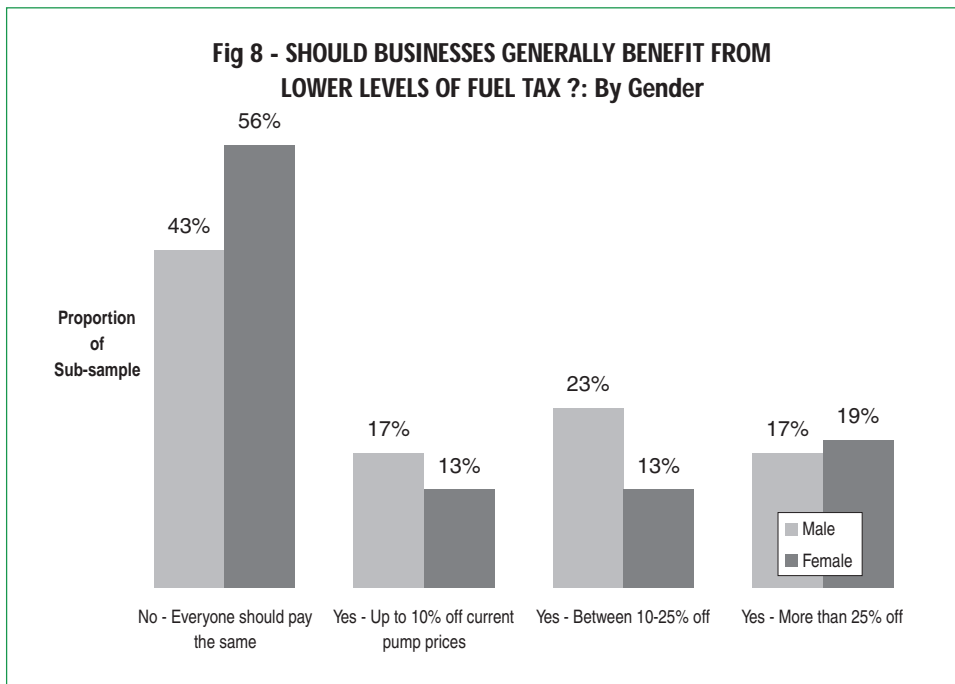
The total tax component represented around 73% of the total – higher than anywhere else in the European Union (see **Figure 19** in Appendix 3, on p.28) – but the tax take has been higher previously. For instance, averaging 80% or more in 1998, 1997 and 1995 (Institute for Fiscal Studies data cited by BBC News Online).

According to the Institute for Fiscal Studies:

There are two purposes of a road fuel tax in the UK. The first is an attempt to change behaviour and reduce the amount that people use their cars in order to protect the environment, and the other is to raise revenue.

They also say that the Treasury estimated in 1999 that six pence on all road fuel duties raises as much as one penny on the basic rate of income tax. Or put another way, 1p off a litre of fuel reduces Government revenue by £420m.

Figure 7 shows what respondents thought on the issue of fuel tax cuts for businesses. Nearly half (45%) thought there should be no special fuel tax concessions for business and that businesses should pay the same fuel taxes as the population in general. Thereafter, 17% favoured tax cuts of up to 10% of current prices, 21% favoured 10-25% cuts and a further 17% favoured cuts as generous as over 25%. There were sector variations here but these were fairly complex in that the retail/distribution sector sample were both the most likely of the 3 groupings to favour no special fuel tax cuts for businesses and yet



also the most likely group to favour cuts in excess of 25%. Obviously, different businesses within this sector were affected to different degrees by fuel costs.

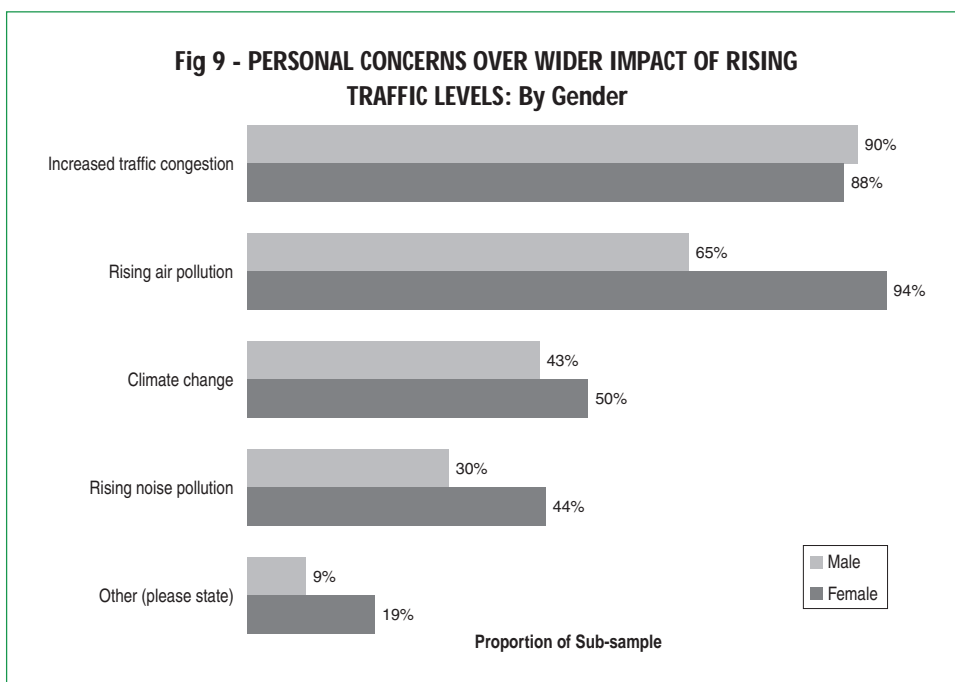
as compared with 43% for males, favoured the idea of no special fuel tax concessions for businesses.

Gender Differences

Female small business owners in our sample appeared less inclined than their male counterparts to be calling for fuel tax cuts (**Figure 8**). Over half (56%) of women,

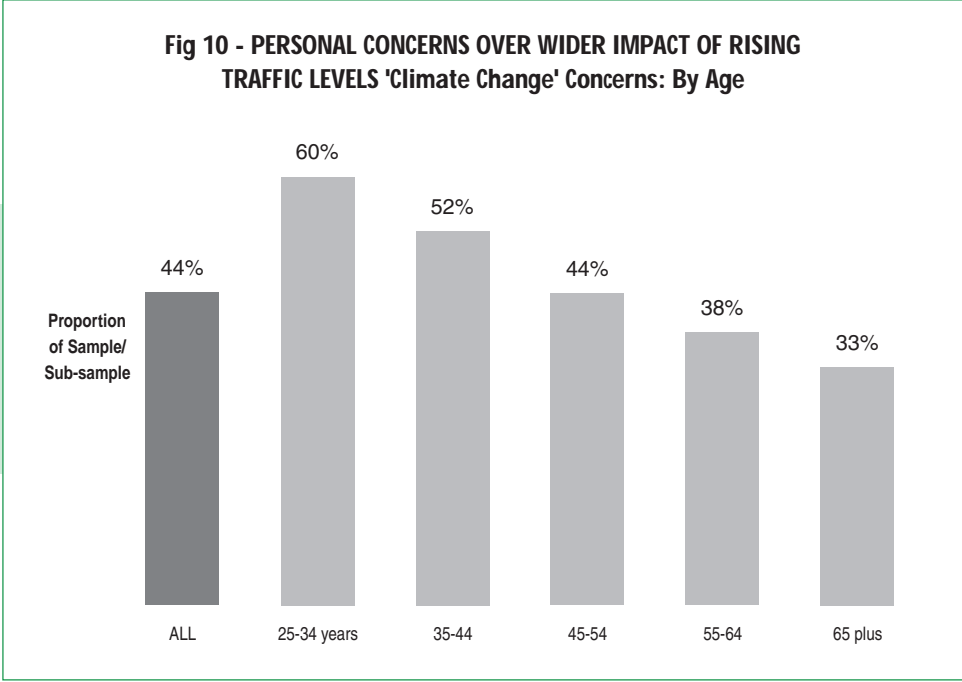
Rising Traffic Level Issues

Figure 9 ranks the traffic-related issues which caused concern amongst our sample. In order, the issues were: 'Increased traffic congestion', 'Rising air pollution', 'Climate change' and 'Rising



Nearly all female respondents are concerned about rising air pollution

Younger respondents more likely to see greater changes in their lifetime ?



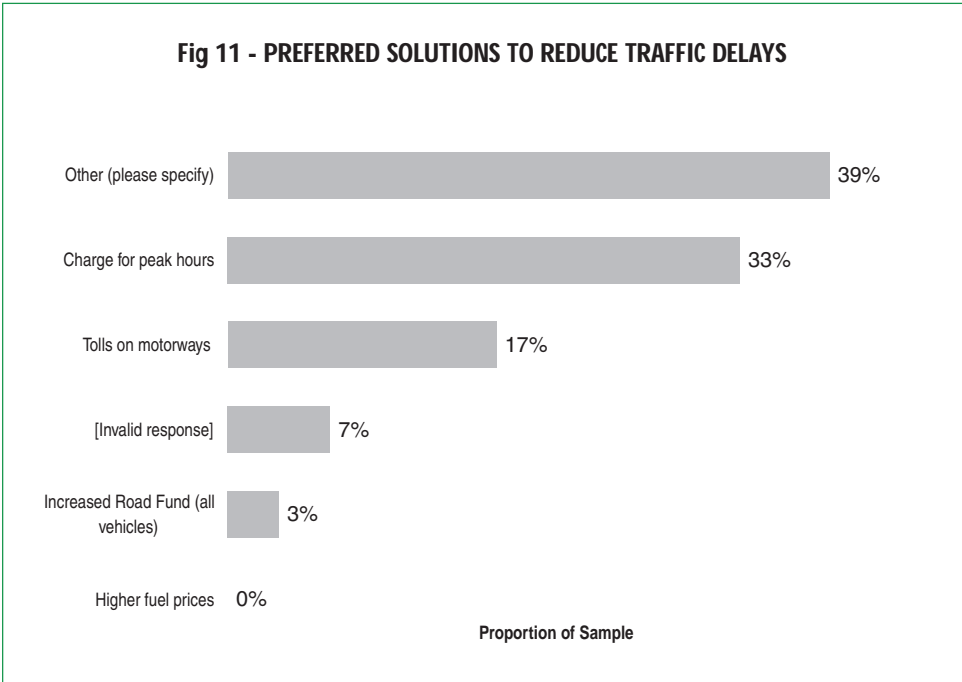
noise pollution'. Interestingly, whilst male and female respondents gave exactly the same rankings to these factors, apart from the first one (Traffic congestion), female concerns were at a somewhat higher level.

counterparts (the youngest and oldest bands have been included for completeness, but contain only a small number of respondents).

Figure 10 shows that, on the issue of 'Climate Change', concerns levels correlated with age – younger groups being more concerned than their older

Remedies for Traffic Delays

Figure 11 shows respondents' preferred solutions to the challenge of traffic congestion. 'Peak hours charges' followed by 'Tolls on motorways' emerged most



strongly. Only 3% suggested an increased road fund licence (vehicle excise duty). There was a large 'Other' grouping here who came up with a range of, often more general, solutions, with such as 'Better public transport', 'Improved roads' and 'Move freight by rail' finding support. More specific suggestions were:

- Change hours for school opening
- Compulsory 'park & ride' to pedestrianised city centres with 'moving' pavements (in cities)
- Free public transport – or very cheap anyway
- Night deliveries in cities
- Ruthless controls on parking on main roads/driving in bus lanes
- Schemes to introduce car-sharing
- Significantly increase road tax on second/further vehicles registered to same household
- Speedier road works
- Tax older vehicles off the roads
- Tighter control of heavy haulage vehicles
- Use of all lanes for passing vehicles on motorways (as in America)

The responses can be contrasted with those of the public at large, illustrated by **Figure 20** in Appendix 3, on p.28, which suggests that, generally, there is more agreement about what people **don't** want, rather than what they **do**.

Interesting comments offered by our respondents included the following:

"Our business requires us to have several vehicles distributed throughout the country. All traffic problems increase the burden on our business, which cannot be passed on to the customer. To remain competitive, our profit reduces continually, which means no investment or expansion is profitable."

"I think it is unfair to let foreign transport companies use our roads without payment. Tolls would help."

"On school holidays, the roads are up to 50% quieter at peak hours. This is because the majority of school children are now ferried to school by parents."

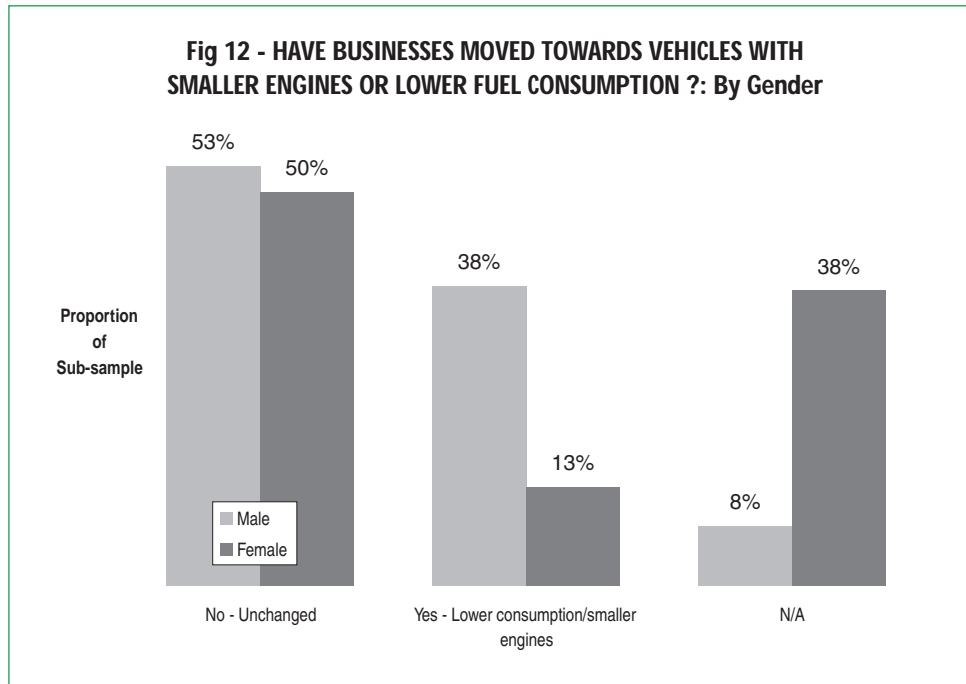
"Stop this 'next day' service unless it is for an emergency. There are too many white vans flying around almost empty, delivering catalogues and other useless merchandise."

"Public transport needs to be improved and incentives provided for people to use it. Those living working in rural communities need additional help with transport costs."

"We need more goods transportation via rail."

"I think the system of transport regulation restricting cars to city centres by number plate every other day should be tried, e.g., V-registered vehicles only allowed in cities on Mondays, Wednesday and Fridays."

"It is absolutely ridiculous to contemplate more motorway building or widening because, for 4 hours out of 24 they are congested whilst, for the other 20 hours, they are under-utilised. It is equally ridiculous to allow oversize trucks to travel on roads/motorways taking up 2 lanes and causing huge tailbacks when they could just as easily travel at night when they would inconvenience no-one."



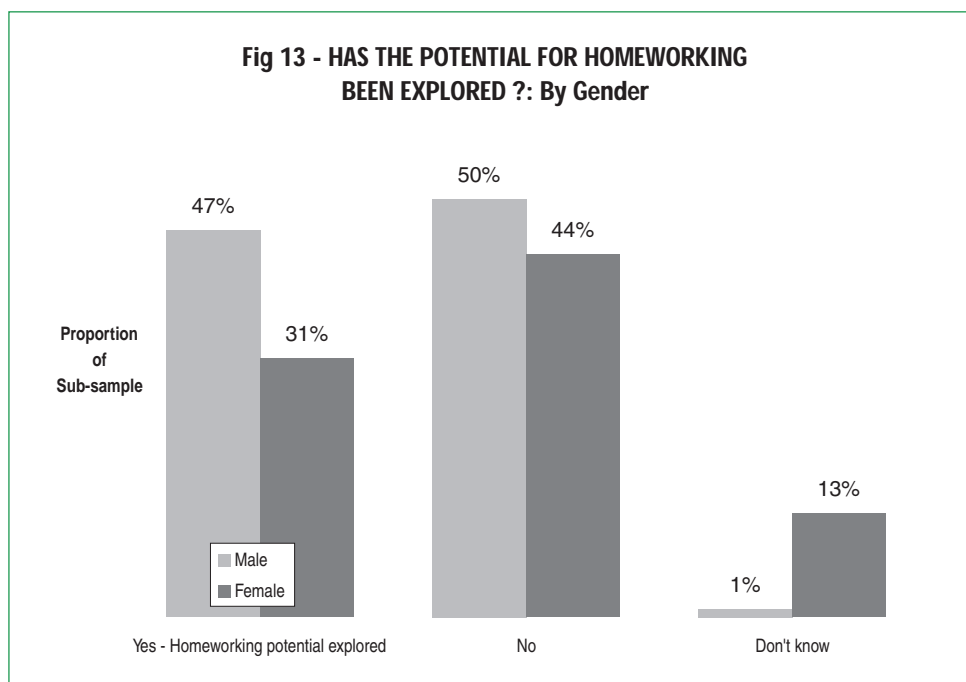
Saving Fuel

Respondents were asked if they had, in the last 3-5 years, themselves moved towards using cars with smaller engines or lower fuel consumption. **Figure 12** shows that, for just over half, there had been no change. However, for 38% of male and 13% of female respondents there had been a movement towards lower fuel consumption/smaller engines. Interestingly, this contrasts with the results contained in Figure 4

indicating that females in our sample were more concerned on this issue than their male counterparts. Possibly, this heightened level of concern was at least partially fed by their lower levels of confirmed success here.

Homeworking

Figure 13 presents the extent to which the potential of homeworking had been explored. Once again, the male sample



appear to have taken a lead here with nearly half replying positively compared to just under one-third of their female counterparts.

RESPONDENTS' COMMENTS

These commence on p.18

REFERENCES: TRANSPORT & GOVERNMENT

The following references are offered as an aid to readers interested in seeking further information, much of which is readily available via the Internet (WWW). The coverage is not intended to be definitive, and inclusion here should not necessarily imply either agreement or disagreement with the views expressed via these sources.

Special care should also be taken with material obtained from **outside** the UK, for example, the USA, where different legal issues may apply. N.B. Some pages may contain links to other WWW pages offering related material.

- **BBC News Online**
UK fuel tax: The facts, 21 September, 2000,
http://news6.thdo.bbc.co.uk/hi/english/in_depth/world/2000/world_fuel_crisis/newsid_933000/933648.stm
Could the government cut fuel duty ?, 14 September, 2000,
http://news6.thdo.bbc.co.uk/hi/english/business/newsid_925000/925315.stm
UN attacks Europe's fuel policies, 21 September, 2000,
http://news.bbc.co.uk/hi/english/world/europe/newsid_935000/935094.stm
Climate Change,
http://news.bbc.co.uk/hi/english/static/in_depth/sci_tech/2000/climate_change/default.stm
- **Cabinet Office Regulatory Impact Unit**
Helping Small Firms Cope with Regulation - Exemptions and Other Approaches, April 2000 (<http://www.cabinet-office.gov.uk/regulation/TaskForce/2000/SmallFirms.pdf>)
<http://www.cabinet-office.gov.uk/regulation/>
- **Confederation of British Industry**
Delivering the Ten Year Plan: Key transport schemes for business, Transport Priorities briefing - "The CBI identifies the schemes which need to be a priority for the Government's ten-year transport plan if it is to deliver lasting improvements to the UK's transport system", November 2000 (http://www.cbi.org.uk/pdf/transport_priorities.pdf)
<http://www.cbi.org.uk/>
- **Department of the Environment, Transport and the Regions (DETR)**
Transport Statistics - Roads and Traffic
<http://www.transtat.detr.gov.uk/roadtraf/index.htm>
- **European Commission**
Directorate-General for Energy and Transport in co-operation with Eurostat, *EU Transport In Figures - Statistical Pocket Book*, July 2000. "Wealth of data on all forms of transport in the European Union. Statistics on passenger movements by mode of transport and data on infrastructure such as roads, railways and waterways."
http://europa.eu.int/comm/transport/tif/tif_july2000.pdf
EU Oil Prices, Oil Bulletin (Year 2000)
http://europa.eu.int/comm/energy/en/oil/bulletin_en.html
- **Federation of Small Businesses**
Press Release, September 21, 2000: "Small firms today demanded that the Chancellor of the Exchequer announce a reduction in the price of fuel to no more than 50p per litre by Christmas.

The Federation of Small Businesses (FSB), which has formed a 'Cut Fuel Prices Now Campaign Alliance', believes that Gordon Brown can cut fuel prices by 8p per litre with immediate effect, following a top economist's research which shows that such a cut would have no implication at all for the Exchequer..." <http://www.fsb.org.uk>

- **Health, Environment & Work**

(Raymond Agius)
 Previously published by the University of Edinburgh, *What effects can the Environment have on Health ?*, "Although you will have heard or read a great deal about the environmental consequences of global warming, man will probably be affected through famine, or war long before the health of the population as a whole is harmed to a serious degree by the temperature change. However increasing extremes of temperature, as a result of climatic change, could result in increased mortality even in temperate climates ... Combustion of any fossil fuel generates varying amounts of particulate matter. It also adds to the environmental burden of carbon dioxide - an important 'green house' gas but in these low concentrations it does not affect human health directly ... Undoubtedly tens of thousands of deaths have resulted from acute pollution episodes (e.g. the smogs in large cities in the early 1950s). Nowadays some people e.g. asthmatics can be adversely affected by excursions in levels of urban air pollution (notably ozone) in some major cities..." <http://www.agius.com/hew/resource/introeh.htm>

- **HM Treasury: Pre-Budget Report 2000**

"The key objective of the Pre-Budget Report is to launch a national debate on important economic issues, including taxation and spending, seeking the

views of people and business in all regions of the country and all sectors of the economy to inform the Government's Budget decisions. The publication of this year's Pre-Budget Report and a range of associated documents, will be followed by a series of regional meetings to discuss the issues raised and to listen to people's views." Includes following documents: *A greenhouse gas emissions trading scheme for the UK; Consultation on reform of vehicle excise duty for lorries; Using the Tax System to Encourage Cleaner Fuels: The Experience of Ultra-Low Sulphur Diesel* <http://www.hm-treasury.gov.uk/pbr2000/index.html>

- **Institute for Fiscal Studies**

The petrol tax debate, Briefing Note No.8, July 2000, "Recent increases in the price of petrol have led to the current debate about the rate that petrol is taxed in the UK. Although rising oil prices have contributed to the increased cost, the government has been criticised for imposing a high tax rate on petrol and other road fuels. In this briefing note, we look at the arguments for and against a fuel tax." (<http://www.ifs.org.uk/consume/petrol.pdf>) November 2000 *Pre-Budget Report Analysis: Transport and the Environment*, Conclusions: "The Chancellor has essentially made motoring cheaper which harms the environment. People will be using a different petrol which is cheaper. There will be less pollution from sulphur but potentially more carbon dioxide, congestion and other pollutants from driving. This highlights the complex nature of designing taxes in this area and that we can't meet all the environmental objectives with just the fuel tax." <http://www.ifs.org.uk/>

- **Retail Motor Industry Federation**
<http://www.rmif.co.uk/>

- **Road Haulage Association**
Operating a 'Fair Play on Fuel' campaign.
<http://www.rha.net/>

- **UK Commission for Integrated Transport (CfIT)**
"The role of CfIT is defined in the White Paper as 'to provide independent advice to Government on the implementation of integrated transport policy, to monitor developments across transport, environment, health and other sectors and to review progress towards meeting our objectives'." *Public Attitudes to Transport in England, A Survey Carried out by MORI for the Commission for Integrated Transport, July 2000* (<http://www.cfit.gov.uk/reports/mori/index.htm>)
<http://www.cfit.gov.uk/>

- **UK Petroleum Industry Association (UKPIA)**
<http://www.ukpia.com/>

MANUFACTURING

Bar Fitting, Shopfitting, Joinery Manufacturing	<i>"Fuel: cost per litre should be the same throughout the EEC."</i>
Building and Joinery	<i>"Fuel tax is too high."</i>
Catering Equipment	<i>"Central government should subsidise railways to get lorries and cars off the road."</i>
Conservation of Antique Clocks	<i>"Heavy goods must be subsidised with modernised swift transfer from rail to lorry for movement to local depot/warehouse: fuel tanks would be a good example."</i>
Design and Manufacture of Data Loggers	<i>"In Cornwall we are disadvantaged by scarcity and high cost of air and rail links, which force us to use cars for business travel when we would much prefer to use public transport, and which make us less competitive."</i>
Electrical Cables	<i>"[There are] Too many edge-of-town supermarkets and stores."</i>
Electrical Engineering & Contracting	<i>"The government should concentrate on an effective school transport system. The traffic in our areas at peak times is 100% better during school holidays."</i>
Electro-Magnets	<i>"The cost of transport has a direct effect on the overall cost of bought-in materials and components produced and sold. This at a time when a strong pound is badly affecting manufacturing industry !"</i>
Fabrication, Welding, Machining, Special Purpose Machines	<i>"Climate change - I am not convinced that legislation can impact to any significance on a 'global' scale. It may be politically correct to be seen to be doing something but if this puts UK industry at a competitive disadvantage it is not acceptable.</i> <i>Traffic congestion - No short-term solution. We are brought up in a land where commuting is the norm. Longer term, people will vote with their feet and live in cities in new-style non-commuting accomodation, cf. inner Manchester changes now. Timescale 10-20 years.</i> <i>In Q5 you do not have 'workplace parking' which is on the agenda of local authorities. I disagree with it as it will unfairly penalise manufacturing which employs many."</i>
Graphic Design & Printing	<i>"Much improved tax and government rates allowances for home workers/industries. Councils increasingly trying to charge business rates if you work from home."</i>
Joinery	<i>"I think it is unfair to let foreign transport companies use our roads without payment. Tolls could help."</i>
Kitchen and Bedroom Manufacturers	<i>"On school holidays, the roads are up to 50% quieter at peak hours, and this is private transport - why is this ? Is it because the majority of school children are now ferried to school by parents ?"</i>

MANUFACTURING continued

Lamination of Coasters, Placemats etc.	<i>"Government fails to appreciate that no member of this company can get to work via public transport - there is none. All finished goods must leave by road and increased carriage charges are seriously affecting order levels."</i>
Machinery for the Tufted Carpet Industry	<i>"1. Massive investment in public transport to match integration of, for example, Holland. 2. Attack parking on main roads. 3. Restrict traffic in towns."</i>
Manufacture of Drilling Rigs	<i>"People are lumped together over this issue. Our business requires us to have several vehicles distributed throughout the country - all traffic problems increase the burden on our business, which cannot be passed on to the customer. To remain competitive our profit reduces continually, which means no investment or expansion is possible."</i>
Manufacturing Broom Clamps and Holders, Yard Scrapers	<i>"Stop this 'next day' service, unless it is for an emergency. [There are] Too many white vans flying around mostly empty, delivering catalogues and other useless merchandise."</i>
Mechanical Installation and Maintenance Service	<i>"Suggest tighter control of heavy haulage vehicles, i.e., total week-end ban and incentives introduced (i.e., reduced fuel tax) for more overnight/evening haulage. John Prescott to resign !"</i>
Office Chair Manufacturing/Refurbishment	<i>"[From Q5] Traffic is reduced considerably when children are on holiday from school. Too many journeys are being made by parents at peak times; this is an area which should be investigated."</i>
Precision Engineering	<i>"Motorway southbound M1 - M25 are gridlocked between 6:30am and 10:30am. Restricted deliveries."</i>
Printers	<i>"Cost of all-day parking for workers was £1 a day, now £5 a day."</i>
Printers	<i>"The principle of taxation is well understood. However, the concept of having to suffer taxation as a running cost of the business (i.e., duty) before profit is achieved on which further taxation is chargeable is too ludicrous for words."</i>
Reproduction Furniture	<i>"Charge foreign trucks a road tax when in the UK."</i>
Resin-cast Giftware	<i>"Fighting over the Gaza Strip will not help. It will probably go on for ever."</i>
Service Protection for Vehicles	<i>"More goods transportation via train and rail ?!"</i>
Special Purpose Machine Design & Manufacture	<i>"Traffic congestion is caused by poor junctions (given a set amount of vehicles). Better junctions (more productive) and better public transport would improve local (town and city) problems."</i>

MANUFACTURING continued**Specialist Electronic Instruments**

“Too much freight is moved by road. It should be made cheaper to move it by rail. Public transport needs to be improved and incentives (tax ?) provided for people to use it. Those living working in rural communities need additional financial help with transport costs - rural tax allowance ? - since adequate public transport is neither available or viable. Higher indirect taxes are not the answer. They are unfair hitting both rich and poor equally.”

Steel Castings

“Some freight must be taken off the roads. Incentives for car-sharing [needed], not penalties for not sharing.”

Toys/Educational Products

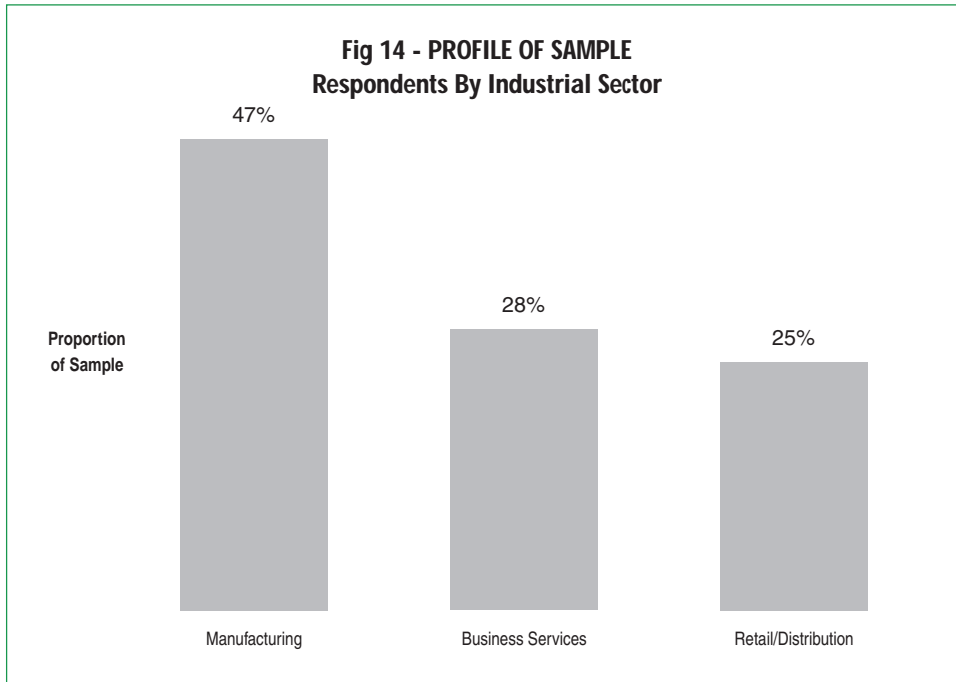
“Increase all forms of public transport and facilities for alternative transport such as cycling. This needs to be funded nationally not by local councils.”

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"The government must realise that businesses in the UK cannot continue to absorb increasing fuel costs, and therefore government must be aware of its responsibility to businesses and the general public who ultimately will pay for such increases."</i>
Audit Accountancy and Taxation	<i>"To reduce traffic congestion immediately, there ought to be measures designed to stop parents taking children to school without adequate public transport and/or special school transport available."</i>
Chartered Accountants	<i>"If we had a comprehensive reliable public transport system which had sufficient funding, people would use it and leave their cars at home. This should be a long-term government commitment and not a short-term political football. Today's problems will only get worse with the current transport policy."</i>
Chartered Civil Engineer	<i>"Help should be given in rural areas where there is no/little transport."</i>
Commercial Cleaning	<i>"I think the system of transport regulation restricting cars to city centres by number plate every other day should be tried, e.g., V-reg only allowed in cities on Monday, Wednesday and Friday."</i>
Equipment Leasing	<i>"The cost of fuel is far too high. [There is] No real government planning - canals and railways underutilised. Tolls on motorways could be used to lower fuel costs. This would mean more use of railways and outside loads could use waterways."</i>
Ergonomics & Vehicle Safety Research	<i>"Concerned about rural transport, especially lack of usable public transport."</i>
Implementation & Audit of Quality Standards	<i>"Provide efficient and totally reliable methods of travel for commuters - then charge for peaks hours and private car usage. Which came first, the chicken or the egg? The methods for change must be provided first."</i>
International Freight Forwarding Services	<i>"Due to high taxes in this country we are competing against our overseas competitors with one hand tied behind our backs !"</i>
Investment & Pensions Advice	<i>"The school run is mostly lazy and unnecessary and delays business workers at peak time a.m. - alternatives should be encouraged/enforced."</i>
Logistics Consultant	<i>"Cost of congestion adds to logistics costs."</i>
Public Relations & Marketing Support Consultancy	<i>"It is absolutely ridiculous to contemplate more motorway building/widening because for 4 hours out of 24 they are congested/at full capacity when for the other 20 hours they are under-utilised. It is equally ridiculous to allow oversize loads to travel on roads/motorways taking up 2 lanes and causing huge tailbacks when they could just as easily travel at night when they would inconvenience no-one."</i>

RETAIL AND DISTRIBUTION

Computer Software	<i>"There should be no incentive to 'clock up' miles. Reducing business costs must not reduce employees' private transport costs."</i>
Computer System Reseller	<i>"Must improve public transport."</i>
Domestic Furnishings & Lighting	<i>"Very poor road planning is a very considerable contributor to excessive traffic congestion and delay."</i>
Floral Services, Retail Florist	<i>"Better public transport will help to reduce traffic levels."</i>
Hardware and Pet Store	<i>"Every price rise is echoed by whine and protest, yet the number of vehicles continues to rise ! Hauliers (bona fide) need a freeze in diesel price to compete with mainland Europe. At least fuel tax is visible and we can choose within reason how much of that tax we pay."</i>
Health Foods and Herbal Remedies	<i>"John Prescott is not a good example of a minister who knows his job !"</i>
Retail House Furnishers	<i>"Lack of cheap - possibly subsidised - public transport."</i>
Selling and Support of Computer Hardware and Software	<i>"Every journey to a client must be by car. Our average journey distance is higher than average so we are penalised both by cost and lack of alternative."</i>
Specialist Suppliers of Computer Systems to the Security Industry	<i>"Not nearly enough investment is being made in alternative forms of transport, yet businesses are being penalised for sticking with the 'company car'. My team would be happy to use trains, buses etc., if they could be relied on at regular intervals."</i>
Tank Container Haulage	<i>"Public transport [is] in a mess. Fuel prices in UK (a joke). Environment tax/transport strategies (a joke). Transport Minister has not got a clue. Too many different M.o.T. [Ministers of Transport] to have any continuity. Lack of ideas. Public transport useless. Fuel prices in EEC countries far lower. No common transport policy for the EEC."</i>
Wholesale Bathroom Products Distributor	<i>"Whilst I generally support higher fuel costs these must be implemented on a European or even Global basis, otherwise the UK will become increasingly uncompetitive. As for climate change, until this is accepted as an issue by the Americans generally, any improvements we make will only be offset by their oil-consuming energy-wasteful society."</i> <i>Traffic congestion [Q5] - This sounds like a question the government would ask. What about better roads, banning school runs, lorry-free periods, better public transport, etc."</i>



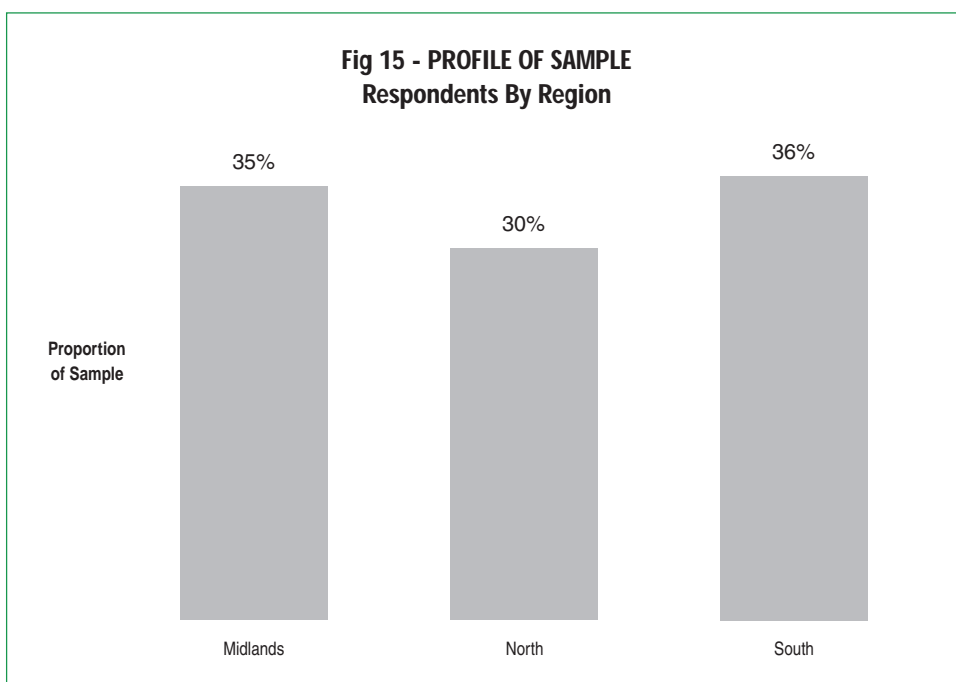
APPENDIX 1 - ADDITIONAL INFORMATION

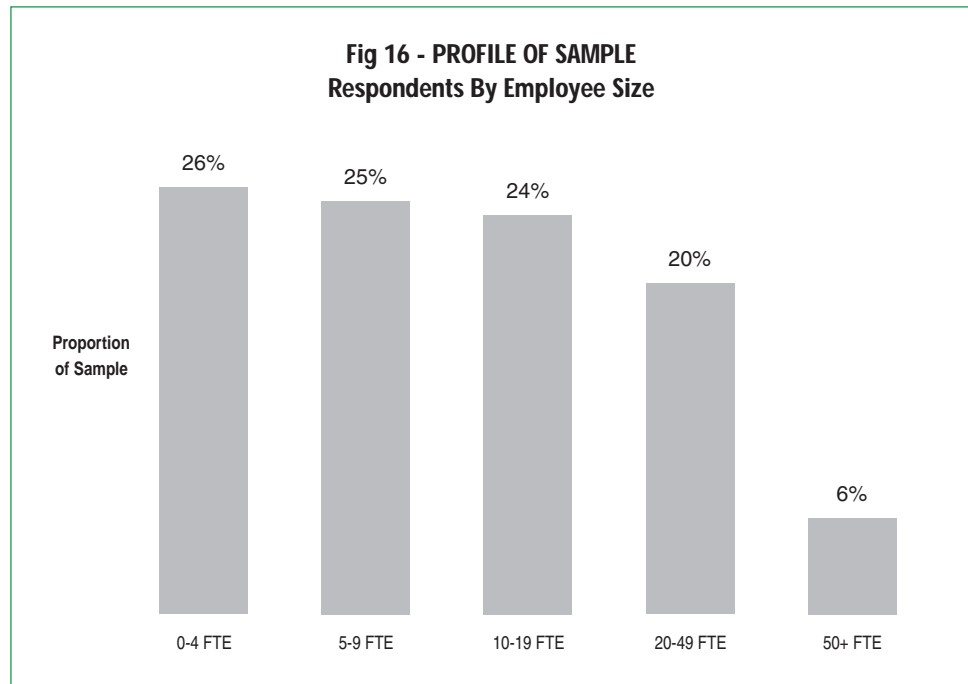
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector** and **employee size** are those most frequently used as

they are reasonably reliable indicators and less prone to misinterpretation. Other variables have also included **region**, **sales growth**, **respondent age** and **sex**.

Industrial sectors – based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. From 1996 onwards, firms falling outside these 3





bands – previously classified as ‘other’ – are now allocated to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee (‘FTE’ = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the **sectoral** and **regional** analyses, but have been **excluded** as a ‘50+FTE’ band in the **employee-size** analyses (the ‘All’ band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

Figure axes/scales (histograms) - each figure uses a linear scale, with reference to a common zero axis, e.g. running horizontally across the bottom of each column, as in the figure above.

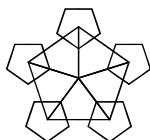
Distribution of firms

The highest proportion of respondents is in manufacturing (47%, previously 43%), followed by business services (28%, see **Figure 14**). Previously, the samples have contained the largest proportion of firms in business services, but the composition has shifted slightly due to the introduction of additional respondents to the sample late 1998, and again, mid-1999.

In this survey, the Southern region has the largest representation, with 36% of the sample’s respondents (previously 40%, see also **Figure 15**).

Historically, the manufacturing and business services firms in the samples have tended to be larger, in terms of employees, whereas the firms in retailing/ distribution have had fewer full-time equivalent employees. Likewise, the sample has been biased towards the smaller businesses, but since 1999 there has been an increase in the 20-49 FTE firms (**Figure 16**).

As on previous occasions, the sample is predominantly male (87%).



This questionnaire will take approximately 5-10 minutes to complete – most answers require only a single tick. All information received will be treated in complete confidence. PLEASE DESPATCH AS SOON AS POSSIBLE.

MANAGEMENT ISSUE: Transport & Government

1 a) Please indicate the number of people working in your business (including yourself): Full-time : _____ A Part-time (16 hours/wk or less)..... : _____ B

b) Your age last birthday: 16-24 years..... A 25-34..... B 35-44..... C 45-54..... D 55-64..... E 65 or over..... F

c) Your gender: Male..... M Female..... F

2 Impact of rising fuel and transport costs – To what extent have you been able to pass on rising direct/indirect fuel costs to customers over the past 12 months: Just ONE ✓ only Significantly (67-100% of the increases) A OR Moderately (33-66% of the increases)..... B OR Not significantly (less than 33% of the increases) .. C OR N/A: It's not an important issue for the firm..... D

3 Fuel tax for businesses – Compared to the public, do you think that businesses generally should benefit from lower levels of fuel tax: Just ONE ✓ only No - everyone should pay the same A OR Yes - Up to 10% off current pump prices..... B OR Yes - Between 10-25% off current pump prices C OR Yes - More than 25% off current pump prices D

4 The wider impact of traffic – Which of the following issues, where they relate to rising traffic levels overall, cause you some concern personally: ✓ Against all which apply Climate change..... A Increased traffic congestion..... B Rising air pollution C Rising noise pollution..... D Other (please state) _____ E None of the above F

5 **Traffic congestion – Which of one the following would you favour most to help reduce traffic delays:** *Just ONE ✓ only*

Charge for peak hours..... A

Tolls on motorways..... B

Higher fuel prices..... C

Increased Road Fund licence levy on all vehicles .. D

Other (please specify) _____ E

6 **Business costs causing greatest concern – For your business, which one of the following issues currently causes you the greatest concern:** *Just ONE ✓ only*

Cost of finance..... A

OR Central/local government ‘Red Tape’ costs B

OR Fuel or transportation costs C

OR Labour/staff direct costs..... D

OR Materials costs..... E

OR Premises costs F

OR Total tax burden..... G

OR Other (please specify) _____ H

7 **Company vehicle trends – Has your business over the past 3-5 years tended to buy/lease vehicles with smaller engines or lower fuel consumption ?** *Just ONE ✓ only*

Yes..... A

OR No B

OR Don't know C

OR N/A: E.g. Do not have any company vehicles..... D

8 **Working from home – Has the potential for people working in your firm to be increasingly home-based, rather than business-based, been explored ?** *Just ONE ✓ only*

Yes..... A

OR No B

OR Don't know C

9 **‘Transport’ – If you have any strong views about the topic, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services sector), then please comment**

APPENDIX 3 – SUPPLEMENTARY FIGURES

These are to provide background information for the survey, and have been derived from a number of sources, noted accordingly.

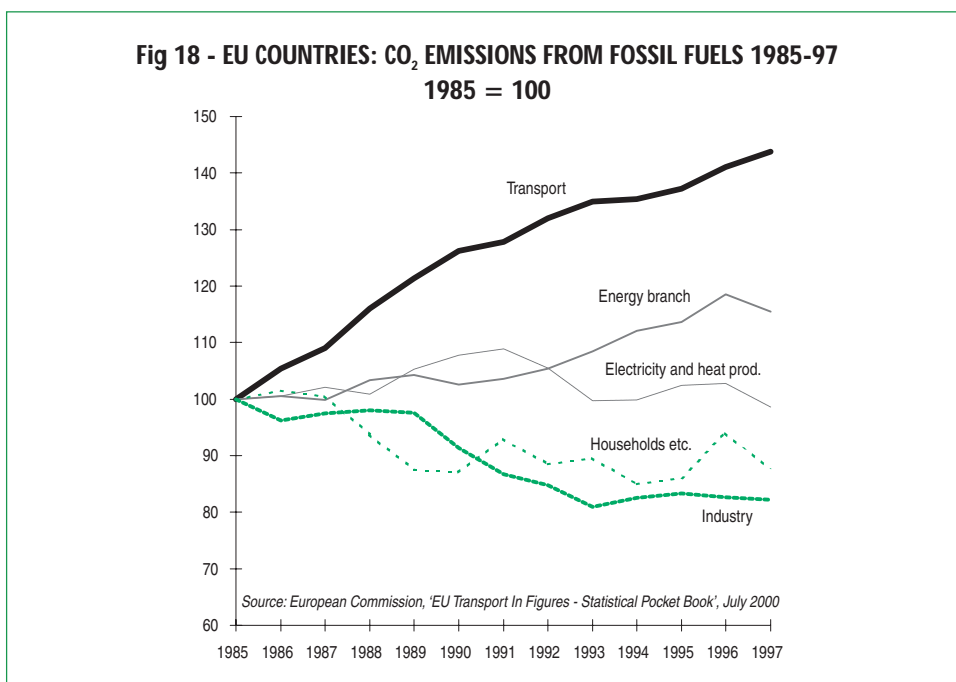
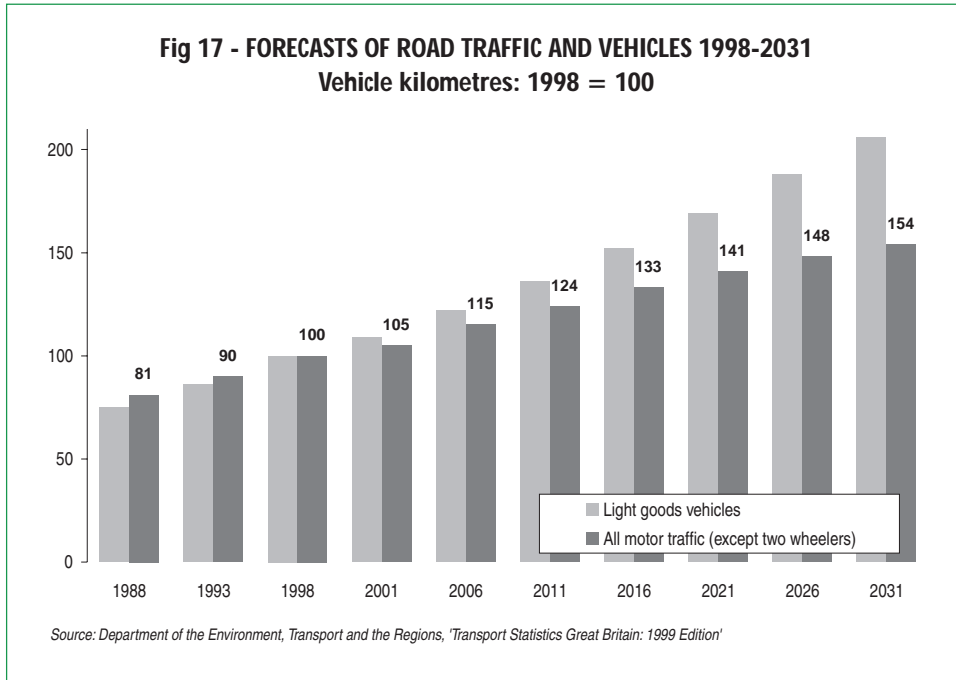
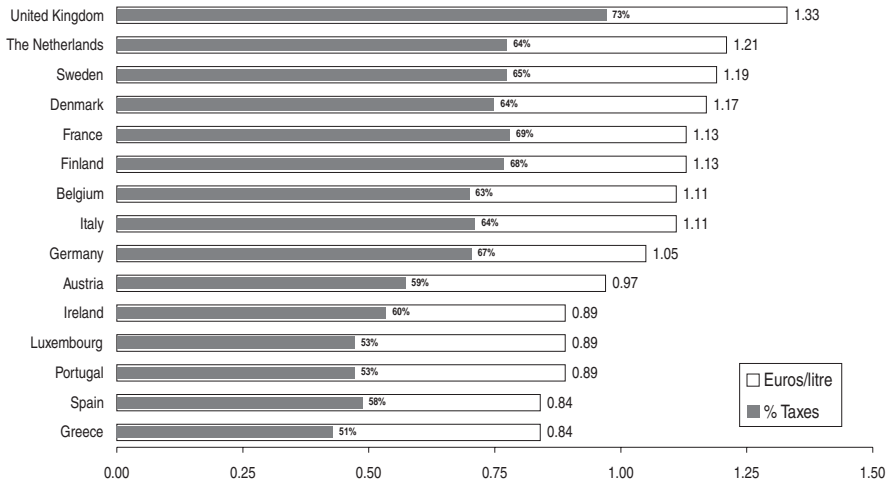
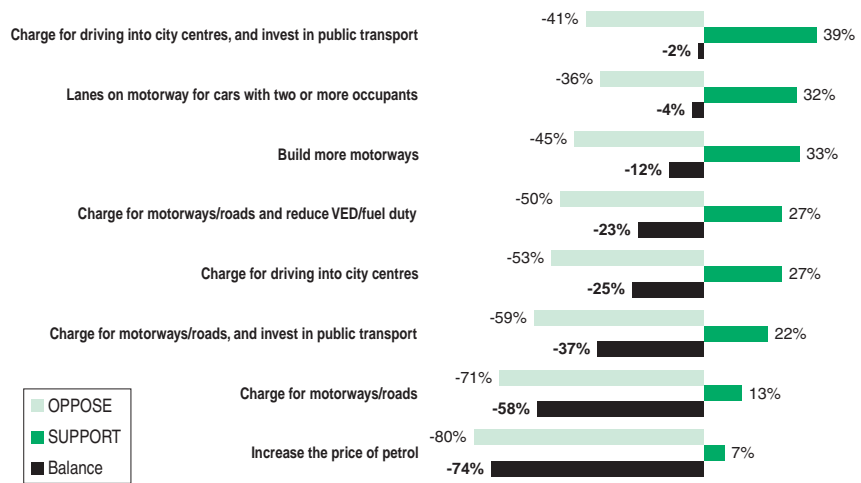


Fig 19 - EU COUNTRIES: PETROL COSTS AND TAXES JUNE 2000
Cost Of 95 Octane Unleaded Petrol/litre & Proportion In Taxes

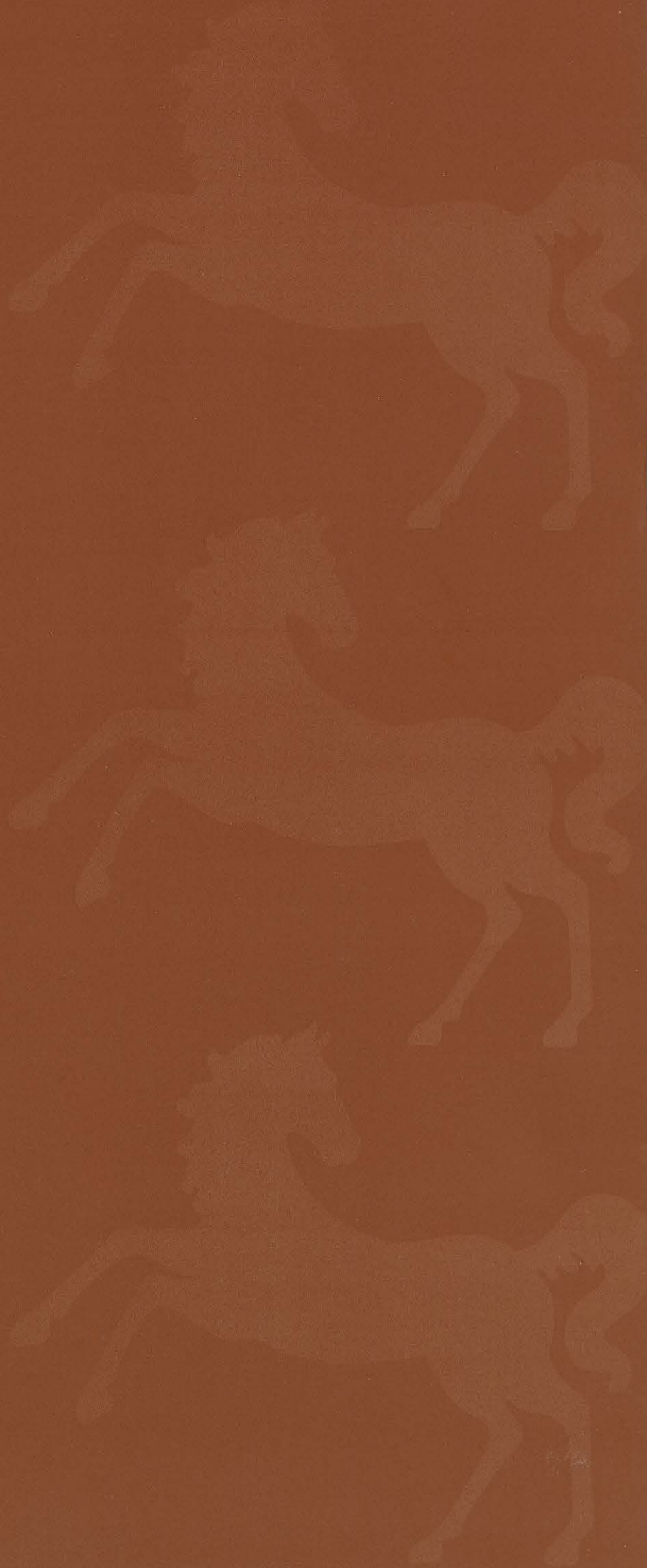


Source: European Commission, 'EU Transport In Figures - Statistical Pocket Book', July 2000 [1 Euro typically = 63p for the above data]

Fig 20 - PUBLIC ATTITUDES TO TRANSPORT IN ENGLAND
Support & Opposition Towards Transport Policies



Source: Commission for Integrated Transport/MORI, 'Public Attitudes To Transport In England', July 2000



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