

The background of the entire page is a close-up, slightly blurred photograph of the Union Jack (UK flag) and the European Union flag. The Union Jack is on the left, showing its characteristic white saltire on a blue field. The European Union flag is on the right, showing its blue field with twelve yellow stars arranged in a circle. The two flags overlap, with the Union Jack partially visible behind the EU flag.

# **Britain and the European Union: What business thinks**

**A YouGov/BfB poll of UK business leaders**

**BUSINESS**  
*for*  
**BRITAIN**



## **About Business for Britain**

Business for Britain is an independent, non-partisan campaign for a better deal from the European Union. Launched in April 2013, Business for Britain's founding statement has now attracted the signatures (in a personal capacity) of over 750 British business leaders, including John Caudwell (Phones4u), Sir Rocco Forte (Rocco Forte Hotels), Robert Hiscox (Hiscox), Lord Kalms (Dixons plc.), Julie Meyer (Ariadne Capital), Sir Stuart Rose (Ocado), Lord Wolfson (Next plc.) and many more. The campaign's Co-Chairmen are Alan Halsall, who runs the UK's sole-surviving pram manufacturer, Yorkshire-based Silver Cross; and John Mills, Chairman of consumer products company JML Ltd and the largest individual donor to the Labour Party. The Chief Executive is Matthew Elliott, founder of the TaxPayers' Alliance and Big Brother Watch, and Campaign Director of the NOtoAV campaign in the 2011 Alternative Vote referendum.

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## **About the research**

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,024 adults. Fieldwork was undertaken between 2nd and 12th September 2013. The survey was carried out online. The figures comprise of adults from a sample of UK businesses: large (15%), medium (15%) and small (70%).

All the data contained within this document (including the specific figures for CBI, IoD, FSB and BCC members) are judged to be a wide enough cross-section of the target population and can therefore be considered statistically reliable. We will be looking to do more polling with larger samples of the business trade associations in the future.

## Foreword

Since David Cameron delivered his landmark EU speech to Bloomberg in January 2013, in which he committed a future Conservative government to renegotiating the terms of Britain's EU membership and subsequently holding a referendum on the new terms, there have been various efforts to pinpoint where business stands on the Prime Minister's strategy. 'Business and the European Union: What business thinks' is our contribution to these efforts.

YouGov has polled over a thousand British business leaders, who have been asked a series of questions about Britain's relationship with the European Union.

This poll differs from similar exercises in the past year by trade groups ranging from the CBI (Confederation of British Industry), to the BCC (British Chambers of Commerce), who have conducted surveys of their memberships. By contrast, our poll, conducted by an established and independent polling firm (YouGov), has deliberately sampled and weighted business decision-makers across the country to produce as accurate a reflection of business opinion in the UK as is possible.

The picture our research produces is one of a business community split on Britain's EU membership, although generally in favour of remaining inside the union, but with significant caveats. It is clear that there are very large problems with what membership entails. Business leaders want to see an international focus beyond EU borders from the Government, because that is where their business priorities lie. The numbers suggest that business is struggling with the demands of the Single Market and overwhelmingly support Britain regaining control over a number of areas which currently lie under the purview of the EU. Complementing this, there is strong demand for the Government to pursue a course of treaty change in the upcoming renegotiation.

We hope that this document will serve as a useful guide to where the business community stands when talks begin on how Britain's relationship with the EU should change. A better deal for British business is possible, and increasingly necessary as the Eurozone embarks on the road to closer economic and fiscal union. The priority must be jobs and growth in Britain and, as our findings show, for business this means a focus on trade and a fundamental change in Brussels' regulatory approach.

**Matthew Elliott, Chief Executive**

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## Executive Summary

Business for Britain polled 1,024 business leaders, broadly representative of the sizes, sectors and locations that comprise the UK business community, on their opinions of Britain's relationship with the EU and wider world.

### Key findings:

- By **46% – 37%** British businesses say that the costs of complying with the Single Market **outweigh the benefits** of being in the EU (see page 16).
- British business leaders want to see **nine key areas of regulatory competence currently under the remit of Brussels returned to the UK** Government (see page 11).
- By **66% – 26%** British business leaders support holding a referendum on the EU (see page 18).
- By **56% – 23%** British business leaders believe that **'meaningful change' of our EU relationship requires treaty change** and would like to see Britain's relationship with Brussels changed to focus on trade (see page 20).
- **Achieving 'meaningful change' results in an average 16.5% swing** towards voting to remain in the EU (see page 21).
- By **58% – 21%** British business leaders want to see the Government focus on the **Newly Industrialising Countries** (e.g. Brazil, China, India) over the EU for future trading links (see page 9).
- **Large British businesses say by 35% – 23%**, and by 30% – 22% among medium-sized businesses, that **they will be prioritising increasing trade with countries outside, rather than inside, the EU** (see page 10).
- By **49% – 44%** CBI members believe that the **disadvantages of the Single Market now outweigh the benefits**, and by 55% – 31% say **'meaningful change' requires treaty change** (see page 22).

Overall, this poll of British business leaders – the largest yet done on this issue – reveals that Britain's business community is very keen to see a change in the terms of Britain's membership of the EU, and see the necessity for treaty change to make that reform work.

## 1. Methodology

### 1.1 Who we polled

Most pieces of research purporting to represent the views of business are usually membership surveys of trade associations and do not necessarily cover all company sizes, sectors and locations. As a representative poll of 1,024 business leaders based in the United Kingdom, this piece of research is a comprehensive analysis of what business thinks about Britain's membership of the EU.

### 1.2 Fully representative of where UK businesses are based

Respondents' locations were largely similar to the actual spread of businesses in the UK.

Location	% of businesses in our poll	% according to ONS <sup>1</sup>
South	28	25
London	20	17
North	17	20
Midlands	15	15
East	11	10
Scotland	6	7
Wales	(below statistically reliable threshold)	4
Northern Ireland	(below statistically reliable threshold)	3

### 1.3 A fair representation of business sizes

We oversampled the number of medium and large companies (defined by the Department for Business, Innovation and Skills as 1-49 employees: Small, 49-249 employees: Medium, 250+ employees: Large) to provide a more accurate reflection of business opinion across company sizes. In general, large businesses tend to be more pro-EU, reflecting their greater propensity to export and their ability to lobby the EU institutions. Small businesses, by contrast, are generally more Eurosceptic because they are less likely to trade but they are still subject to EU regulation from the Single Market.

Size	% of businesses in our poll	% according to BIS <sup>2</sup>
Small	70	97
Medium	15	2.5
Large	15	0.5

<sup>1</sup> BIS, *Business Population Estimates for the UK and regions 2013*, Table 9: Regional Size Summary, found at <https://www.gov.uk/government/publications/business-population-estimates-2013>

<sup>2</sup> Ibid, Table 1: UK Private Sector

## 1.4 A proper cross-section of business sectors

There is a slight discrepancy in the sampling of different business sectors in our poll due to the difficulties in targeting business leaders in specific sectors. However, it should be noted that IT and financial services (traditionally more pro-EU) are overrepresented and construction (traditionally a more Eurosceptic sector) is underrepresented.

Share of businesses in the UK private sector by industry (as classified by BIS)	% of businesses in our poll	% according to BIS <sup>3</sup>
Information & communication	13	6.0
Financial & insurance activities	11	1.6
Manufacturing	11	4.8
Professional, scientific & technical acts	11	13.9
Construction	9	18.9
Wholesale & Retail Trade, Repair	7	10.7
Arts, entertainment & recreation	5	4.4
Accommodation & food service activities	4	3.5
Admin & support service activities	3	7.9
Education	3	5.1
Transportation & storage	2	5.6
Real estate activities	2	1.9
Human health & social work activities	2	6.3
Mining; Electricity, Gas, Water	1	0.5
Agriculture, Forestry & Fishing	1	3.2
Other service activities	(below statistically reliable threshold)	5.6

## 1.5 An oversampling of companies that export

While many people assume that the majority of businesses export overseas, in 2012 BIS reported that the UK currently has “somewhere around 275,000 exporters” (there were 944,755 registered companies in 2013 making this less than 30% of total companies).<sup>4</sup> This poll oversamples exporting companies.

Where does your company export? (%)		
	% of businesses in our poll	% according to BIS
Inside the EU	10	c.30%
Outside the EU	4	
Both inside and outside the EU	32	
Neither – it trades solely in the UK	51	c.70%
Don't know	2	

<sup>3</sup> BIS, *Business Population Estimates for the UK and regions 2013*, Table 4: UK Industry Summary, found at <https://www.gov.uk/government/publications/business-population-estimates-2013>

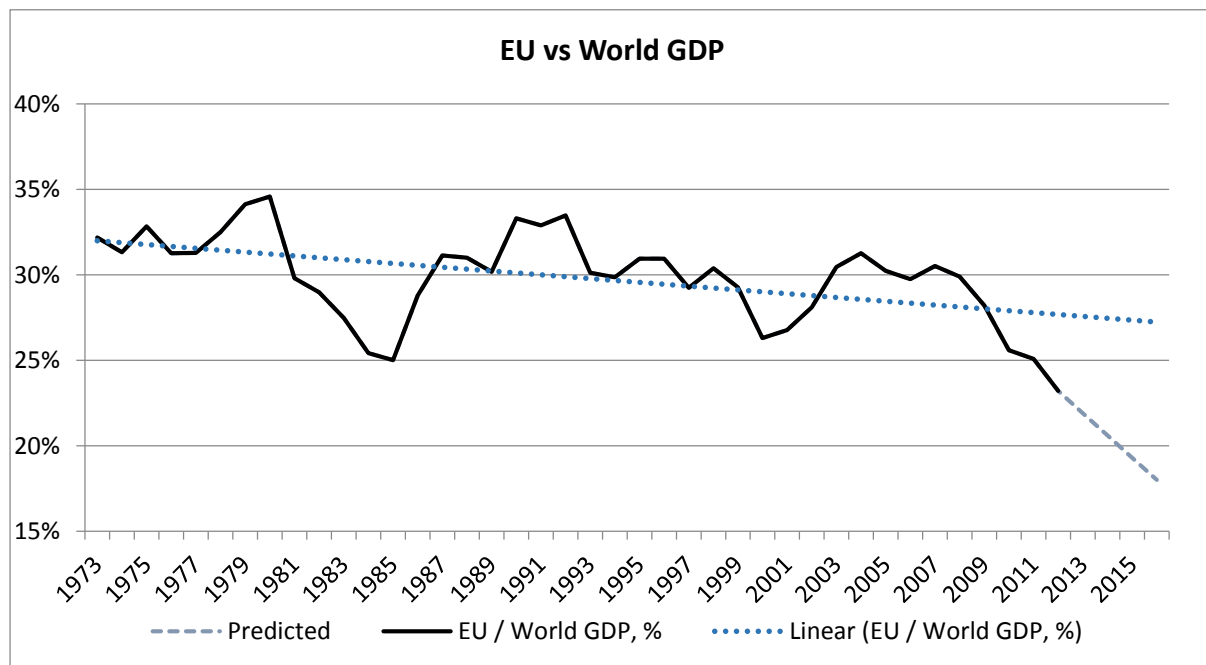
<sup>4</sup> BIS *Economics Paper No. 17, UK trade performance across markets and sectors*, February 2012, p. 15



## 2. British business has a global focus

For the past 40 years, Britain has prioritised increasing trade with continental Europe. As a large, captive market twenty miles from our shores this was the natural choice and we have prospered, albeit in return having to accept more and more regulation and ceding control over our global trading links.

However, the influence and economic activity of EU member states are now in relative decline. From accounting for 35 per cent of global GDP at its peak in 1979, by 1999 the countries that comprised the EU had slumped to little over 26 per cent of the World's GDP.<sup>5</sup> Today that figure stands at around 22 per cent and is still falling, forecast to hit 18 per cent by 2016.<sup>6</sup>



By contrast, in that same period the Newly Industrialised Countries (NICs) such as China, Brazil and India have been growing at a very rapid pace. Manufacturing is increasingly moving away from the EU and the emerging middle-classes in Asia and South America offer British firms the prospect of exciting new consumer markets.

Faced with this global reality, our poll has found that Britain's business people are increasingly anxious to see the Government look beyond the EU for new economic impetus.

<sup>5</sup> World Bank Database, found here <http://databank.worldbank.org/data/views/reports/tableview.aspx>

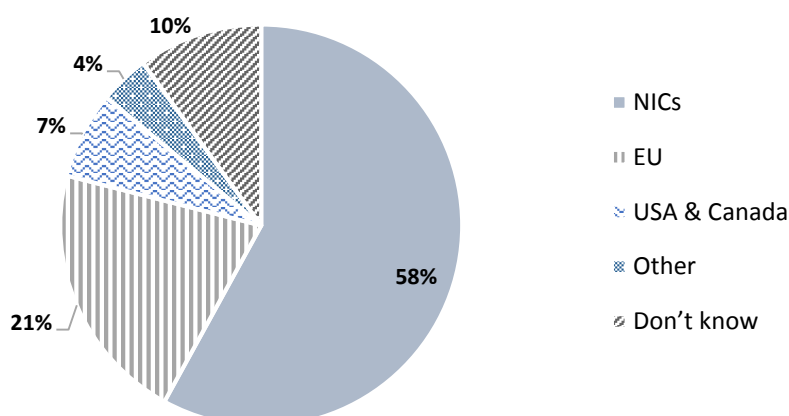
<sup>6</sup> Europe Economics, *Cost and Benefits to the UK Setting of Financial Services Regulation*, p. 32, found at <http://www.europe-economics.com/publications/2011europeeconomics.pdf>

## 2.1 Business thinks the Government should be looking outside Europe for new economic links...

*Which should be Britain's main focus when building economic links in the future? The Newly Industrialised Countries (NICs) (South Africa, Mexico, Brazil, China, India, Indonesia, Malaysia, Philippines, Thailand, Turkey), the EU, or USA and Canada? (%)*

	All	Small	Medium	Large
<b>NICs</b>	58	56	69	59
<b>EU</b>	21	21	20	22
<b>USA &amp; Canada</b>	7	7	5	13
<b>Other</b>	4	5	1	-
<b>Don't know</b>	10	11	5	6

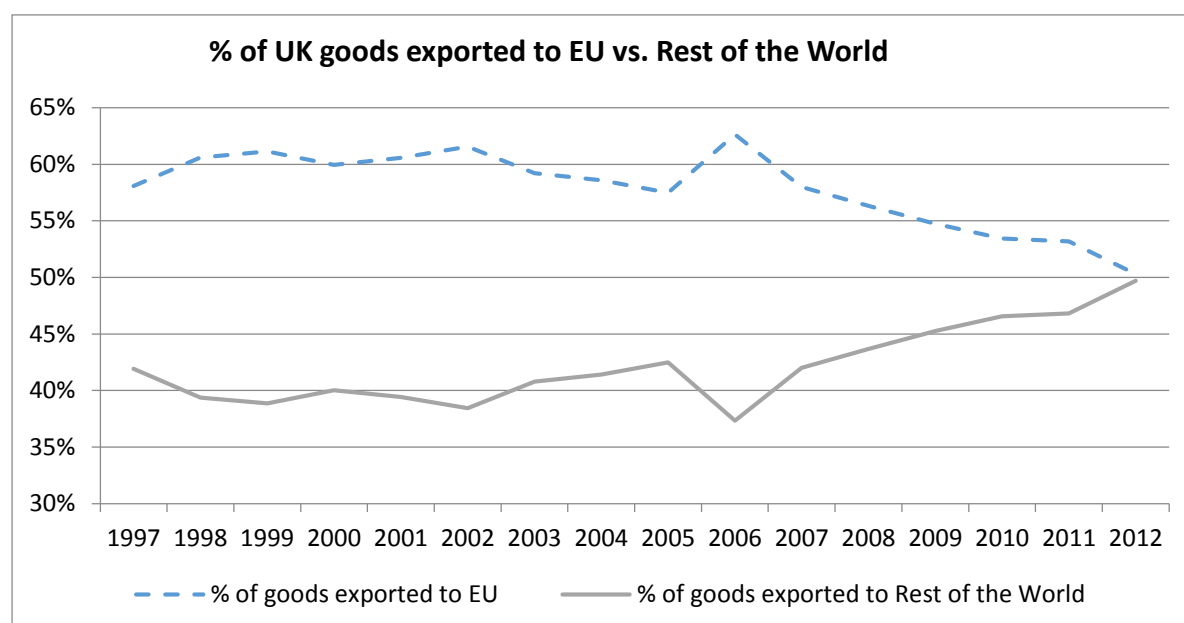
*Which should be Britain's main focus when building economic links in the future? (All respondents)*



## 2.2 ...and the CEOs of companies that export both inside and outside of the EU are more than three times as likely to want the Government to prioritise building links with the Newly Industrialised Countries.

	Company exports both inside and outside of the EU (%)
<b>NICs</b>	64
<b>EU</b>	20
<b>USA &amp; Canada</b>	8

## 2.3 The total percentage of goods British businesses export to the rest of the world is set to rise above the total exported to the EU...<sup>7</sup>



## 2.4 ...and businesses are increasingly looking to countries outside of the EU for future trading relationships.

<i>Thinking about the future, will your company be prioritising increasing its trade with countries inside or outside of the EU? (%)</i>				
	All	Small	Medium	Large
<b>With countries in the EU</b>	17	14	22	23
<b>With countries outside of the EU</b>	21	17	30	35
<b>Neither: we trade solely in the UK</b>	46	54	38	17
<b>Don't know</b>	16	15	11	25

## 2.5 More than double the number of CEOs of companies that export inside and outside of the EU will be prioritising trade with non-EU countries.

	Company exports both inside and outside of the EU (%)
<b>With countries in the EU</b>	23
<b>With countries outside of the EU</b>	49

<sup>7</sup> ONS, *United Kingdom Economic Accounts*, Q4 2012, found at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-277751>

### 3. Business calls on the Government to regain control over key competences

Since the UK joined the then European Economic Community (EEC) in 1973, it has seen a steady transfer of powers from Westminster and Whitehall to the European institutions. Over the last forty years, thousands of EU laws have been automatically placed on the UK statute books while successive Treaties have passed control of key areas of national concern, such as VAT and policy regulation, to the European Commission. It is hard to underestimate the amount of European regulation that now applies in the UK. According to the UK Government, “50% of all UK legislation with a significant economic impact originates from EU legislation.”<sup>8</sup>

A recent report commissioned by BIS warned that “total harmonisation in financial services regulation, relative to the Single Market, is liable to entail a significant fall-away in net benefits to the UK, with those benefits perhaps even becoming negative.”<sup>9</sup> The Government has recently commissioned a Review of the Balance of Competences between the UK and the EU, with one of the first reports concluding that the current set up is “broadly appropriate”.<sup>10</sup> This conclusion received a lot of criticism and accusations of bias.

To assess how well the EU has exercised its remit over various policy areas, we asked business leaders who they thought should be in control – the UK Government or the EU?

#### 3.1 Monopolies and competition regulation

The Treaty of the Functioning of the European Union grants the EU the ability to act to address cartels, collusion and other anti-competitive practices. European regulations have also given the Commission the right to regulate certain company mergers and the authority to vet mergers under certain conditions. Over the years the Commission has provided a framework for when a merger is considered problematic, expanding on when it will intervene in a merger. The European Commission also has the authority to regulate the behaviour of large firms that abuse their dominant positions or market power, with EU competition law coming into play even if a business has less than 40% of the market share.

<i>For the area of monopolies and competition regulation, please say who you think should be in control – the UK Government or the EU? (%)</i>				
	All	Small	Medium	Large
<b>UK Government</b>	65	67	57	64
<b>EU</b>	29	28	34	30
<b>Don't Know</b>	6	5	9	5

<sup>8</sup> Cited in House of Commons Library Research Paper 10/62, *How much legislation comes from Europe?*, 13 October 2010, p. 1, found at [www.parliament.uk/briefing-papers/RP10-62.pdf](http://www.parliament.uk/briefing-papers/RP10-62.pdf)

<sup>9</sup> Europe Economics, *Optimal Integration in the Single Market: A Synoptic Review*, April 2013, p.96.

<sup>10</sup> HM Government, *Review of the Balance of Competences between the United Kingdom and the European Union Health*, p.8.



### 3.2 Employment law and working qualifications

The EU has a lot of power over employment law, since the European Community Treaty grants it the power to support and complement the activities of the Member States in the area of social policy. The EU sets out minimum requirements for working and employment conditions in the workplace as well as stating what information employers have to provide workers. The Working Time Directive is probably the most controversial example of EU employment law, setting out minimum daily rest periods and the maximum number of hours that can be worked in a week (although there are opt outs). EU law has also enshrined equal pay, the need for employers to recognise certain professional qualifications and has made changes to administrative procedures.

*For the area of employment law and working qualifications, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	76	77	76	74
<b>EU</b>	19	19	18	23
<b>Don't Know</b>	4	4	7	3

### 3.3 Company taxation and VAT

Over the past forty years the EU has tried to harmonise European company taxation, introducing a common system of taxation for company reorganisation, a common system of taxation for companies and their subsidiaries and measures to resolve double taxation disputes. More recently, the Commission has stated that it wants to introduce a Common Consolidated Tax Base (CCCTB) which would be used to calculate the tax base of businesses operating across the EU. The EU requires all member states apply a standard VAT rate of 15% or more (there are some exceptions; most notably certain goods can be set to 5% or more). In December 2011, the Commission published details of a new VAT strategy which proposed a new administration of VAT and reducing the use of reduced VAT rates. The British government responded by warning that the proposals “might lead to an erosion of UK national sovereignty.”<sup>11</sup>

*For the area of company taxation and VAT, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	89	89	84	90
<b>EU</b>	7	6	10	5
<b>Don't Know</b>	5	4	7	5

<sup>11</sup> Found at <http://www.parliament.uk/briefing-papers/sn02683/vat-european-law-on-vat-rates>

### 3.4 Data protection and consumer rights

Over the last fifty years the EU has passed many laws expanding consumer rights. The EU's laws have given consumers extra rights when it comes to returning products and getting a refund, and has required businesses to provide information on prices and comply with certain rules governing websites. The upcoming Consumers Rights Directive will build on this by introducing a common set of definitions and rules. Other prominent examples of EU consumer rights include legislation granting fiscal compensation to inconvenienced customers and EU roaming caps. The EU has been passing data protection laws for many years, setting strict limits on what data businesses could collect and use, how business can process personal data and enshrining the right to privacy online. Brussels has stated that it wants to introduce one set of data protection rules, answerable to a single data protection authority and requiring companies with over 250 employees to have data protection officers.

*For the area of data protection and consumer rights, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	69	71	61	67
<b>EU</b>	27	25	33	28
<b>Don't Know</b>	5	4	7	5

### 3.5 Product and services regulation

The EU has passed many laws that try to ensure that only consumer products it deems as 'safe' are sold in the EU. This obliges producers to, among other things, inform consumers of the risks associated with the product as well as conforming with safety requirements and respect new consumer liability rights. The EU has also changed the supervision of service providers and demanded that certain businesses obtain professional liability insurance. The EU has produced detailed safety requirements for a number of specific products, including personal music players, lighters, biocides, bath rings, bath tubs, childproof locking devices and cigarettes, among others. Nearly all services have been affected by EU legislation. For example in financial services alone hedge funds, short-selling strategies and credit rating agencies have all been specifically regulated by the EU. Transport services have also had to comply with a large number of laws on carriage of goods, passengers, road safety, rail safety, passenger rights and intelligent transport.

*For the area of product and services regulation, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	70	72	64	70
<b>EU</b>	24	23	29	26
<b>Don't Know</b>	6	6	7	4

### 3.6 Environmental regulation

The EU has legislated on environmental matters since 1973 and today there is a comprehensive corpus of legislation, ranging from directives on local flora and fauna to the industrial emission permits. The EU defines the obligations with which industrial and agricultural activities with a high pollution potential must comply, among other things, creating a national emission ceiling and forcing polluters to pay for environmental damage. The EU also requires businesses to carry out an environmental impact assessment (EIA) of public or private projects likely to have significant effects on the environment, prior to their authorisation (the Commission has stated that it wants to expand this power and increase the number of projects that will have to carry out EIAs).

*For the area of environmental regulation, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	60	62	53	61
<b>EU</b>	35	34	41	34
<b>Don't Know</b>	5	4	5	6

### 3.7 Health and safety regulation

The EU determines what the minimum health and safety requirements are in the workplace, as well as establishing an equal level of safety and health for workers. EU law also requires employers to take measures to improve health and safety at the work place, demanding among other things that warning signs meet European standards as well as making sure that work equipment is not dangerous according to its standards. Examples of items that have been subject to European health and safety laws include: transportable pressure equipment, electrical equipment, machinery, lifts, personal protective equipment, welded unalloyed steel gas cylinders, pressure vessels, and aerosol dispensers.

*For the area of health and safety regulation, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	74	75	68	74
<b>EU</b>	22	21	24	24
<b>Don't Know</b>	5	4	8	3

### 3.8 Waste regulation

The EU provides a legal framework for the treatment of waste across Europe. Under the current laws the producers or holders of waste have to carry out a prescribed treatment of waste themselves (or else must have treatment carried out by a broker, establishment or undertaking), and meet European standards for the storage of waste conditions. For example, the EU has passed laws governing the disposal of batteries, what you are allowed to place in landfill, what can be recycled, and how waste is treated. The EU also determines at what point certain products can be classed as ‘waste’. These products include scrap iron and aluminium and scrap metal.

*For the area of waste regulation, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	66	68	59	64
<b>EU</b>	30	28	35	32
<b>Don't Know</b>	4	4	7	4

### 3.9 Weights and measurements

Weights and measurement legislation has become one of the most notorious areas of EU legislation. It has set the law for the use of ‘dual’ labelling and the phasing out of Imperial units (though this has recently been amended). Today in most areas, the labelling of packaging by metric quantity is mandatory, but non-metric is optional. In addition the EU has also legislated for devices and systems with a measuring function, including gas meters and volume conversion devices, active electrical energy meters, heat meters, measuring systems for continuous and dynamic measurement of quantities of liquids other than water, automatic weighing instruments, taximeters, material measures, dimensional measuring instruments and exhaust gas analysers.

*For the area of weights and measurements regulation, please say who you think should be in control – the UK Government or the EU? (%)*

	All	Small	Medium	Large
<b>UK Government</b>	67	68	63	62
<b>EU</b>	28	26	31	34
<b>Don't Know</b>	5	5	6	5



## 4. Business leaders say the costs of the Single Market outweigh its benefits

The Single Market has provided a number of benefits to UK businesses and, since the Single European Act (SEA) came into force in 1987, British companies have enjoyed the benefits from trade with a market of more than 500 million consumers.

However, as the Single Market has grown and its reach extended, the volume of regulation has also multiplied. A Business for Britain study found that there had been 3,580 new laws passed in Brussels since May 2010,<sup>12</sup> and Open Europe estimates that EU regulation introduced since 1998 will cost the UK £184 billion between 2010 and 2020.”<sup>13</sup>

The disadvantages of Single Market regulation are now clear to all. In the foreword of the report – *Cut EU Red Tape* – produced by the Government’s Business Taskforce, the assembled business leaders, including Ian Cheshire (Kingfisher), Mark Bolland (M&S) and Paul Walsh (Diageo), asserted that trading in the Single Market meant companies were “often encumbered by problematic, poorly-understood and burdensome European rules. The impact is clear: fewer inventions are patented, fewer sales are made, fewer goods are produced and fewer jobs are created. The burden also falls heaviest on small and medium-sized firms who make up the vast majority of businesses.”<sup>14</sup> This analysis is borne out by our poll findings.

### 4.1 Out of all business people polled, more say they believe the costs of complying with EU Single Market regulation outweigh the benefits of being in the EU...

*Which statement best reflects your view: the costs of complying with EU single market regulation outweighs the benefits of being in the EU, or the benefits of being in the EU outweighs the costs of complying with EU single market regulation? (%)*

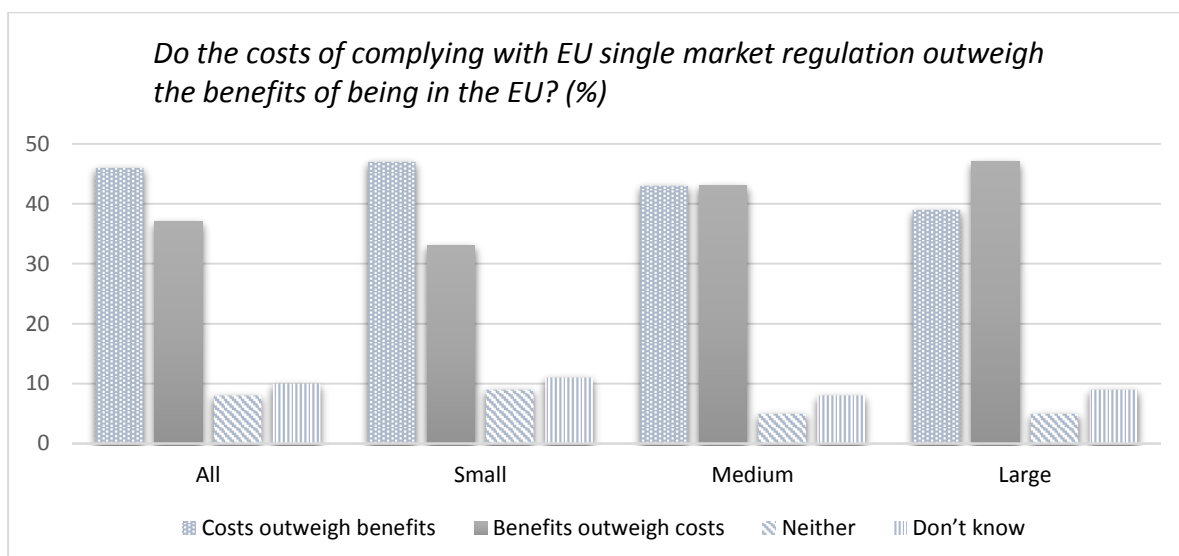
	All	Small	Medium	Large
<b>Costs outweigh benefits</b>	46	47	43	39
<b>Benefits outweigh costs</b>	37	33	43	47
<b>Neither</b>	8	9	5	5
<b>Don’t know</b>	10	11	8	9

**4.2 ...although small business owners are the most opposed to Single Market regulation, it is interesting to note that almost 40% of large businesses also think that the costs of the Single Market outweigh its benefits.**

<sup>12</sup> Business for Britain, *Excessive EU Business Regulation*, Oct 2013, <http://businessforbritain.org/eu-excessive-business-regulation-2.pdf>

<sup>13</sup> Open Europe, *Still out of Control? Measuring eleven years of EU regulation*, June 2010, p.1, found at <http://www.openeurope.org.uk/Content/documents/Pdfs/stilloutofcontrol.pdf>

<sup>14</sup> *Cut EU red tape Report from the Business Taskforce*, October 2013, p.5, found at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/249969/TaskForce-report-15-October.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/249969/TaskForce-report-15-October.pdf)



#### 4.3 By 46% - 38% the CEOs of businesses that trade solely inside the EU think that the costs of Single Market regulation outweigh the benefits...

	Company exports inside the EU (%)
Costs outweigh benefits	46
Benefits outweigh costs	38

#### 4.4 ...and business leaders think domestic policy changes are more important to helping their companies than either making the Single Market work better or joining the Euro.

<i>Which two or three, if any, of the following things that the Government could do to help your business are most important to your business? (Please tick up to three options) (%)</i>				
	All	Small	Medium	Large
Cut business taxes (such as corporation tax and business rates)	56	57	51	53
Cut VAT	44	46	45	31
Reduce the national deficit	27	26	27	30
Improve the quality of school leavers	27	24	34	34
Invest more heavily in the transport system	22	20	25	29
Make the EU Single Market work better	16	14	17	25
Join the Euro (the single currency)	6	5	7	8
None of these	7	7	5	6
Don't know	4	4	5	5

## 5. Business leaders back an EU Referendum

In January 2013, David Cameron became the first British Prime Minister for almost forty years to commit to holding a referendum on Britain's EU membership. In his speech at Bloomberg he announced:

*"The next Conservative Manifesto in 2015 will ask for a mandate from the British people for a Conservative Government to negotiate a new settlement with our European partners in the next Parliament. And when we have negotiated that new settlement, we will give the British people a referendum with a very simple in or out choice. To stay in the EU on these new terms; or come out altogether. It will be an in-out referendum."*<sup>15</sup>

Anyone watching the media coverage would have assumed that the reaction of the business community to the announcement was one of nervousness and concern. Sir Roger Carr, then chairman of the CBI, spoke out saying "the referendum builds in a degree of uncertainty and business never welcomes uncertainty."<sup>16</sup> Sir Martin Sorrell, chief executive of WPP, adopted a similar tone, worrying "a referendum adds to uncertainty." Finally, Sir Andrew Cahn, the former chief executive of UK Trade and Investment, went further, describing the next five years becoming a period of "investment chill."<sup>17</sup>

Yet these dire warnings and predictions were not reflective of wider business opinion. A survey of nearly 4,000 businesses by the British Chambers of Commerce in July found that 77% of businesses supported a referendum on EU membership, compared with 14% against and 9% unsure.<sup>18</sup> Ian Cheshire, chief executive of FTSE-100 company Kingfisher, said he supported the idea of a referendum that he hoped would "put this to bed", he remarked: "It is a good step forward. The prime minister is trying to shape the agenda rather than things happening as a result of drift and by default." Our poll also shows that business leaders want a vote on the EU.

### 5.1 The business community overwhelmingly supports holding a referendum on Britain's relationship with the EU.

Would you support or oppose holding a referendum on Britain's relationship with Europe within the next few years? (%)				
	All	Small	Medium	Large
<b>Support</b>	66	67	68	59
<b>Oppose</b>	26	24	24	34
<b>Don't know</b>	9	9	8	8

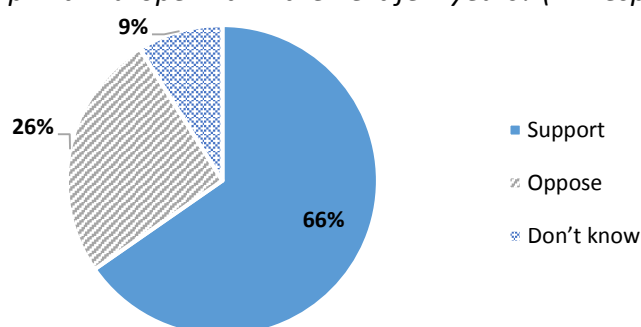
<sup>15</sup> D. Cameron, *EU speech at Bloomberg*, (Bloomberg offices, London, 23 January 2013)

<sup>16</sup> David Cameron's EU uncertainty makes business leaders anxious', *Guardian*, 23 January 2013, <http://www.theguardian.com/politics/2013/jan/23/david-cameron-eu-business-leaders-anxious>

<sup>17</sup> Cameron EU speech: Business leaders give mixed messages, *BBC Online*, 24 January 2013, <http://www.bbc.co.uk/news/business-21173935>

<sup>18</sup> Majority of businesses support a referendum on EU membership, says BCC, 30 July 2013, [http://www.britishchambers.org.uk/press-office/press-releases/majority-of-businesses-support-a-referendum-on-eu-membership,-says-bcc.html#\\_Uf\\_rfW2UXpg](http://www.britishchambers.org.uk/press-office/press-releases/majority-of-businesses-support-a-referendum-on-eu-membership,-says-bcc.html#_Uf_rfW2UXpg)

*Would you support or oppose holding a referendum on Britain's relationship with Europe within the next few years? (All respondents)*



## 5.2 Exporting companies are also in full support of holding a referendum (%).

It might be assumed that overall support for an EU referendum from business leaders ignores the fact that many don't export to the continent. Our poll, however, finds that a referendum is similarly backed by exporting and non-exporting companies alike.

	Company exports inside the EU	Company exports outside the EU	Company exports inside and outside the EU
<b>Support holding an EU referendum</b>	72	73	61
<b>Oppose holding an EU referendum</b>	23	22	30
<b>Don't know</b>	5	(below statistically reliable threshold)	8

## 5.3 Almost half the business people who would vote to stay in if a referendum were held tomorrow, still support having a vote on the EU (%).

	All	Support holding an EU referendum	Oppose holding an EU referendum	Don't know
<b>If there was a referendum tomorrow would vote to remain a member of the EU</b>	49	45	47	61
<b>If there was a referendum tomorrow would vote to leave the EU</b>	39	93	5	5
<b>Don't Know</b>	11	61	5	34



## 6. Renegotiation must involve treaty change say business leaders

The Prime Minister's strategy of renegotiating a new settlement with the EU has started a debate about what would constitute a 'meaningful' change in Britain's relationship with Brussels. As the poll finding below demonstrate, defining 'meaningful' has the potential to make a huge difference to how business people, as well as the general public, will vote in an in/out referendum.

The lessons of history will play a significant part in framing how any changes are judged. In 1975, the last time that Britain went to Europe to get a better deal, it came back with very little. Even those who played an instrumental part in the talks now confess that the renegotiation settlement negotiated by Harold Wilson's government was, at best, piecemeal.

Already figures involved in the 1975 renegotiation are warning that "normal European business" could be presented to the British public as being "something that is very good and in our interest," even if it doesn't change the terms of Britain's EU membership.<sup>19</sup> Since 1975, Britain has ceded more control to the EU in a large number of policy areas. At the same time, the steady enlargement of the EU has decreased our capacity to influence and set the terms of the EU's agenda.

The dividing line that some have identified is a demand that the Treaties are opened – a step that was not taken in 1975. Treaty change would enable Britain to remove itself from the founding ambition of 'ever closer union' as well as potentially regaining control over a number of powers that have been placed in the hands of Brussels. For many, the goal of treaty change would enable Britain to go back to a relationship with the EU based on economics rather than politics. As our poll of competences demonstrates (section 3 of this paper), business leaders are keen to see the UK Government regain control over large parts of domestic policy currently under the purview of Brussels.

Treaty change is not just an optimistic ambition. As David Cameron rightly said in his Bloomberg speech:

*"At some stage in the next few years the EU will need to agree on Treaty change to make the changes needed for the long term future of the Euro and to entrench the diverse, competitive, democratically accountable Europe that we seek. I believe the best way to do this will be in a new Treaty so I add my voice to those who are already calling for this."*<sup>20</sup>

Our poll has found that business leaders want to see the Government's renegotiation include treaty change that moves the EU to a focus on trade, rather than political union.

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<sup>19</sup> D. Hannay, "Britain in Europe: the early years" (Europe House, London, 21 January 2013)

<sup>20</sup> D. Cameron, *EU speech at Bloomberg*, (Bloomberg offices, London, 23 January 2013), found here <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>

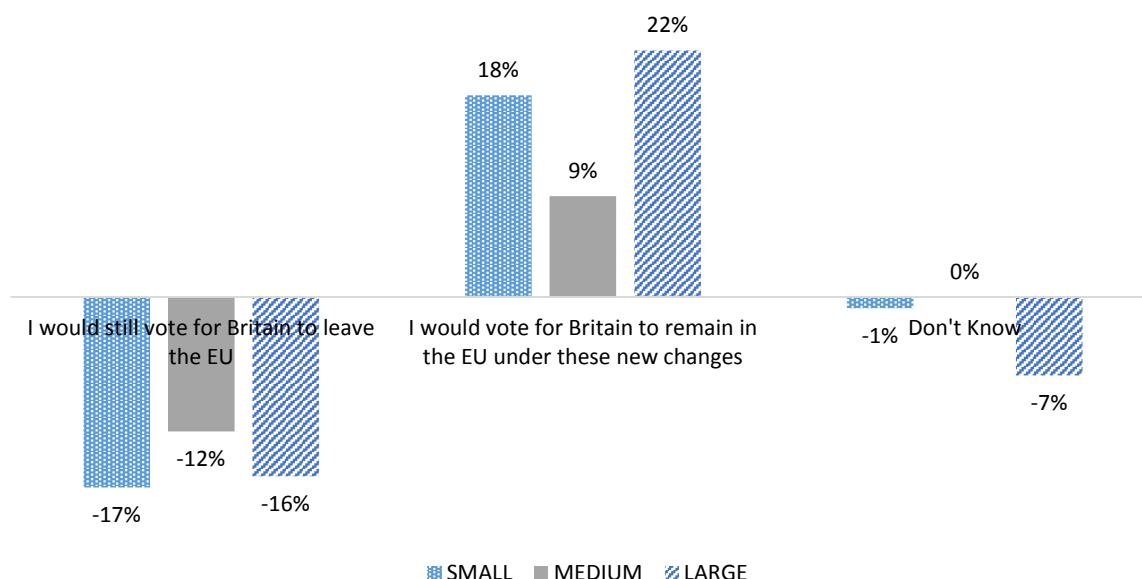
## 6.1 Business leaders across the sectors believe that meaningful change will have to involve a measure of treaty change and a return to a trading relationship.

*The Prime Minister, David Cameron, has said that before a referendum takes place he would like to renegotiate Britain's relationship with the EU. Many different proposals have been put forward as to what Britain should seek to achieve in a renegotiation. Which one of the following do you believe constitutes a 'meaningful' change? (%)*

	All	Small	Medium	Large
<b>No treaty change, but a return of certain powers in some areas and new rights to allow member states to join together to oppose EU legislation</b>	23	22	28	25
<b>Treaty change that brings powers back to the UK. Britain's relationship with the EU to focus on trade rather than political union</b>	56	57	51	59
<b>Leave the EU entirely</b>	14	15	13	11

## 6.2 Achieving 'meaningful' change has the potential to make a very large difference to how business people vote in an EU referendum.

*If the British Government had negotiated a new relationship with the EU, including what you believed constituted 'meaningful' change, and this was followed by a referendum on EU membership, how would you vote in that referendum (change on original in/out)*



## 7. The view of CBI members

Traditionally the business group with the highest membership of large businesses, the Confederation of British Industry (CBI) has also been the most pro-EU of the major business groups. In his first interview after becoming chairman of the CBI, Sir Mike Rake declared that “membership of the EU is overwhelmingly in our economic and political interests”.<sup>21</sup>

- **5% of respondents to our poll were members of the CBI, half of which were from large companies.**  
(Small: 24%, Medium: 18%, Large: 58%)
- CBI respondents **overwhelmingly back holding an EU referendum**, something which the leadership of the CBI has failed to do so far.  
(Support: 71%, Oppose: 29%, Don't know: 0%)
- CBI respondents were the **most likely of the business group members to vote to stay in the EU** if a referendum were held.  
(Vote to remain in EU: 58%, Vote to leave EU: 38%, Don't know: 4%)
- The majority of CBI members **want to see all nine of the competences listed above** (see section 3) **returned to the UK Government**. Particularly company taxation and VAT (UK Govt: 82%, EU: 13%) and health and safety regulation (UK Govt: 82%, EU: 13%).
- CBI respondents find the **disadvantages of the Single Market outweigh its benefits**.  
(Costs outweigh benefits: 49%, Benefits outweigh costs: 44%, Neither: 2%, DK: 5%)
- A **majority** of CBI respondents **favour a ‘meaningful’ renegotiation involving treaty change**, that brings powers back to the UK and changes Britain's relationship with the EU to focus on trade rather than political union  
(Treaty change: 55%, No treaty change: 31%, Leave: 13%, Don't know: 2%)
- Assuming meaningful change is achieved, the **level of support among CBI members for staying in the EU rises** considerably.  
(Vote to stay in EU: 76% (+18%), Vote to leave EU, 24% (-12%), Don't know: 0%(-4))

This poll, albeit with a small sample size, suggests CBI members, while still committed to remaining in the EU, are struggling with the effects of the Single Market. They want the Government to be more internationalist in its future trade priorities and want to see a change in the terms of Britain's EU membership include a treaty change and a return to a focus on trade. This may come as a surprise to the CBI's hierarchy, who have long advocated small, albeit important, reforms to the EU, but reforms that would not alter the fundamental relationship with Brussels, as this poll suggests their members actually want.

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<sup>21</sup> Writing in the *Sunday Telegraph*, A business manifesto to kick-start the entire EU, 29 June 2013, <http://www.telegraph.co.uk/finance/financialcrisis/10150402/A-business-manifesto-to-kick-start-the-entire-EU.html>

## 8. The view of IoD members

The Institute of Directors (IoD) is less eager to defend the EU than the CBI, and tends to back significant reforms to the Single Market. A survey of its members from December 2011 found that 63% would like a looser relationship with the EU, including 42% who would like to see a repatriation of some powers, 21% who would like to see the UK withdrawing from the EU while retaining free trade, and 29% preferring to maintain existing levels of political and economic integration.<sup>22</sup> The IoD welcomed the Prime Minister's Bloomberg speech in January 2013 as "realistic and pragmatic".<sup>23</sup>

- **11%** of respondents to our poll were **members of the IoD**.
- The composition of IoD members who responded to our poll is **split between small, medium and large companies**. (Small: 45%, Medium: 21%, Large: 34%)
- Like the CBI, **IoD members would be in favour of holding a referendum on Europe**. (Support: 78%, Oppose: 21%, Don't know: 2%)
- However, **there is an even split between staying in and leaving the EU** if a referendum were held tomorrow. (Vote to stay in EU: 46%, Vote to leave EU: 46%, Don't know: 6%)
- Like the CBI, **IoD members are increasingly looking outside Europe** for trade links... (EU countries: 29%, Countries outside EU: 42%, Neither: 23%, Don't know: 6%)
- The majority IoD members **want to see all nine of the competences listed above** (see section 3) **returned to the UK Government**.
- **IoD members find the costs of the Single Market outweigh the benefits**. (Costs outweigh benefits: 49%, Benefits outweigh costs: 43%, Neither: 4%, DK: 4%)
- Like the CBI, **IoD members believe only treaty change will deliver 'meaningful change'**. (Treaty change: 57%, No treaty change: 29%, Leave: 13%, Don't know: 1%)
- There are **very significant changes in how IoD members would vote in an in/out referendum** if 'meaningful change' were achieved. (Vote to stay in EU: 69% (+23%), Vote to leave EU: 27% (-19%); Don't know: 4% (-2%))

Our IoD's respondents, representing a more even distribution of small, medium and large companies than is seen in the results from the CBI (above) or FSB (below), reinforce the idea that business is split on the issue of leaving, but united in wanting big changes to the Single Market to improve the conditions of EU membership.

<sup>22</sup> Directors deliver EU verdict, 22 December 2011, <http://press.iod.com/2011/12/22/directors-deliver-eu-verdict/>

<sup>23</sup> IoD verdict on Prime Minister's EU speech: 'realistic and pragmatic' 23 January 2013, <http://www.iod.com/influencing/press-office/press-releases/iod-verdict-on-prime-ministers-eu-speech-realistic-and-pragmatic>



## 9. The view of FSB members

The FSB (Federation of Small Businesses) is the only major business group to take no position on the EU declaring that they “remain neutral on the constitutional question of whether the UK should be ‘in’ or ‘out’”. This is a reflection of the fact that its membership is almost entirely made up of small and medium-sized businesses and also considered to be more divided on the issue of Europe than other groups. The FSB broadly welcomed the Prime Minister’s speech in January 2013, saying “The FSB has said its focus remains that as long as the UK is in the EU, it will ensure it does all it can to secure the best for its members and the wider small-business community, especially in preventing onerous regulation, and pressing to further open up the European single market.”<sup>24</sup>

- **11% of respondents to our poll were members of the FSB.**
- **Unsurprisingly, our FSB respondents are drawn mostly from small businesses.**  
(Small: 82%, Medium: 10%, Large: 8%)
- **Our FSB members support a vote on Britain’s EU membership.**  
(Support: 66%, Oppose: 26%, Don’t know: 8%)
- **While split, were marginally in favour of staying in the EU.**  
(Vote to stay in EU: 47%, Vote to leave EU: 45%, Don’t know: 7%, Would not vote: 1%)
- **They are split on whether the future for their businesses lies with the EU or further afield.**  
(EU countries: 19%, Countries outside EU: 19%, Neither: 50%, Don’t know: 11%)
- **The majority of FSB members want to see all nine of the competences listed above (see section 3) returned to the UK Government.**
- **FSB members find the costs of the Single Market are very high.**  
(Costs outweigh benefits: 49%, Benefits outweigh costs: 38%, Neither: 9%, DK: 4%)
- **FSB members also back treaty change and a return to a trading relationship by almost three to one.**  
(Treaty change: 61%, No treaty change: 23%, Leave: 14%, Don’t know: 2%)
- **Achieving what FSB members consider ‘meaningful’ change has a large impact on how they would vote in an in/out referendum.**  
(Vote to stay in EU: 67% (+20%), Vote to leave EU: 26% (-19%), Don’t know: 7% (+1%)

The reason for the FSB remaining neutral in the EU debate is clear from the polling – their membership are split on the EU, with most finding Single Market regulation to be too onerous. However, with significant changes, FSB members would support staying in the EU.

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<sup>24</sup> Ensure the best deal in Europe for small businesses, 17 January 2013, <http://www.fsb.org.uk/News.aspx?loc=pressroom&rec=7917>

## 10. The view of BCC members

After the CBI, the BCC (British Chamber of Commerce) is the second most active business group in the EU debate, running a regular survey on their members' attitudes towards the EU. In the most recent of these, conducted in July 2013, for the question on possible outcomes for renegotiation, the option 'Remain in the EU, but with specific powers transferred back from Brussels to Westminster' received the highest positive impact rating, with 61.4%.<sup>25</sup> The option 'Full withdrawal from the European Union' received the highest negative impact rating, with 53.6%.

- **15% of respondents to our poll were members of the BCC.**
- **Our BCC respondents were mostly small companies but over a third were larger firms.** (Small: 64%, Medium: 19%, Large: 16%)
- **BCC members are in full support of a referendum**, although the poll results are slightly below the figures of 77% in favour and 14% opposed that the BCC found in their membership survey.<sup>26</sup> (Support: 67%, Oppose: 28%, Don't know: 5%)
- Our poll found BCC members **support remaining inside the EU if a referendum were held tomorrow.** (Vote to stay in EU: 52%, Vote to leave EU: 44%, Don't know: 3%, Would not vote: 1%)
- The majority of BCC members **want to see all nine of the competences listed above** (see section 3) **returned to the UK Government.**
- **Most BCC members find the costs of the Single Market outweighing its benefits...** (Costs outweigh benefits: 48%, Benefits outweigh costs: 41%, Neither: 5%, DK: 5%)
- ...and therefore **BCC members are strongly in favour of treaty change in the forthcoming renegotiation.** (Treaty change: 54%, No treaty change: 26%, Leave: 15%, Don't know: 4%)
- **As with the other business groups, there is a significant shift among BCC members towards staying in the EU if 'meaningful' change is achieved.** (Vote to stay in EU: 66% (+14%), Vote to leave EU: 25% (-19%), Don't know: 8% (+5%))

The BCC is largely composed of SMEs who have to deal with the bulk of EU regulations regardless of whether they export or not, but are clearly keen for opportunities to trade in the Single Market. A renegotiation that incorporates treaty change and lessens the effects of overregulation will result in BCC members voting overwhelmingly to stay in the EU.

<sup>25</sup> Majority of businesses support a referendum on EU membership, says BCC, 30 July 2013, [http://www.britishchambers.org.uk/press-office/press-releases/majority-of-businesses-support-a-referendum-on-eu-membership,-says-bcc.html#Uf\\_rfW2UXpg](http://www.britishchambers.org.uk/press-office/press-releases/majority-of-businesses-support-a-referendum-on-eu-membership,-says-bcc.html#Uf_rfW2UXpg)

<sup>26</sup> Ibid.

## Conclusion

It would be wrong to treat Britain's business community as a bloc, with one set of interests and one view on where our economic future lies. It is clear, however, that the question of where British business people see our future with the EU will be one of crucial importance as the Prime Minister goes to Brussels to renegotiate the terms of Britain's membership. This poll – the most comprehensive yet conducted – sheds light on where Britain's entrepreneurs and wealth creators view the possibilities of a new deal.

The findings of this poll at times contradict the received wisdom on how our business leaders perceive Britain's relationship with the EU. It might prove surprising to those who have viewed the business community as being, by and large, in favour of the EU and the Single Market, with the only complaint that certain markets haven't been further integrated.

We see the results of this poll as an opportunity to extract a change that will benefit British businesses and their employees, albeit not unilaterally. Britain is by no means the only country with serious reservations about certain elements of the EU. The Prime Minister has talked with enthusiasm about the support his plan has received on the continent, and countries like Denmark, the Netherlands and even Germany are looking to Britain for ideas on how Brussels could be reformed.

This poll makes clear that a thorough renegotiation, which can benefit all countries in the EU, could be the catalyst for reversing Europe's gradual economic decline. Business wants to see a shift of focus away from internal squabbles and instead let member states look outwards to the new markets that offer huge economic possibilities. Business wants a new deal that repatriates powers over core business competences back to the UK and tackles the excesses of Single Market regulation. Finally, by pursuing a course of treaty change that enables Britain to grow and prosper as part of the EU, with a focus on trade rather than political union, the prospect for businesses flourishing and the EU modernising for all members, is very promising.