
Economic Perspective 1

CHAMBERS OF COMMERCE - PRIVATE VERSUS PUBLIC LAW STATUS

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Introduction

Chambers of Commerce have attracted relatively little interest in Britain as a subject for study. This could be the result of their apparently limited influence in British economic affairs and development.

The aim of this article is to survey briefly the functions and roles of British Chambers of Commerce within their status as private organisations, stressing the benefits and limitations of such an arrangement and then to contrast them with the advantages and inherent problems experienced by many continental Chambers which operate under public law status.

Chambers of Commerce: general information

The Chambers of Commerce can be traced back to the end of the 16th century. The oldest one originated in Marseille (France) in 1599. In Britain and in Germany they became first established respectively in Glasgow in 1783 and Cologne in 1803. They were created everywhere the local economic activities led to a grouping of economic actors. The French Revolution abolished them as corporate entities; however, eleven years later in 1802, they were reinstated by Napoleon who saw in the Chamber system a perfect tool of communication between the political policy makers and the economic agents. The system was introduced in many European countries following the Napoleonic invasions. Many countries retained the principle of Chamber organisation.

In France the Chambers were legally recognised as state approved establishments in 1832 and received public law status in 1898. These are now 152 local Chambers, 22 regional Chambers, 10 overseas Chambers and the 'Assemblée permanente des Chambres de Commerce et d'Industrie' (APCCI),

which represents all the Chambers at national level. Although strong links exist between the Chambers, each maintains its total independence and neither the regional Chambers nor the national organisation has hierarchical authority over any Chamber.

In (West) Germany there are now 69 Chambers and 9 regional Chambers operating under the 1956 Chamber Law which gives the Chambers public law status. A national organisation, the 'Deutscher Industrie und Handelstag' (DIHT) was founded in 1861, dissolved in 1939 and reinstated in 1949. It is funded by the Chambers and has an important role in international economic development, especially in Europe, with representatives in Brussels. It also maintains regular contacts with other employers' organisations, with the ministries and the German Parliament, the Bundestag. Being free from State control, it is in a position to express publicly its members' views on economic matters.

In Britain, there are 87 local Chambers and 8 regional Chambers operating either under the Companies Acts or Royal Charter. These Chambers are recognised and belong to the Association of British Chambers of Commerce - a national organisation with representatives on some British and European consultative bodies. Confusion can occur in Britain regarding the term 'Chamber of Commerce' as it is without legal definition and therefore may be used by a variety of associations which include commerce, industry, servicing and even trade. It greatly complicates the task of studying British Chambers as each Chamber operates under its private constitution and the size can vary from 151 members (Ayr) to 6,500 members (London).

In Europe, the Chambers in Britain, Belgium and Ireland operate under private law status while France, Germany, Italy, Greece and the Netherlands

have public law status.

All the Chambers have some common features regarding their internal organisation and functioning. The membership is composed of firms belonging to the commerce, industrial and service sectors. In Italy, the agricultural sector is also included and in the Netherlands it is both the representatives of employers and employees organisations which form the Chambers' membership. The Chamber members are elected by the membership for a set term of office and can be re-elected by the membership for a set term of office and can be re-elected for different lengths of time. The elected members themselves elect executive officers and a President, except in Italy where the President is appointed by the Minister of Industry. The members receive no remuneration for their services to the Chamber. One unwritten principle is that the members' first duty is to their own firm and should not become secondary to their Chamber's activities. The elected members work for various committees or departments (commerce, industry, export, transport, training etc) according to their interest and expertise. Each committee is normally chaired by a member of the executive. This facilitates communication and cohesion between the different committees and the general policies of the Chamber.

The elected voluntary staff of the Chambers is assisted by a permanent salaried staff. This includes a general secretary or chief executive who heads the permanent staff, is responsible for the smooth running of the Chamber and works in close collaboration with the President and other members of the executive. He can be nominated either by the President or the executive or the elected members depending on the Chambers' constitution.

The Chambers are self-financed. Their income originates from three main sources: subscriptions which can be voluntary or in tax form where membership is compulsory; fees for services; revenues from administered activities.

Chambers of Commerce: their role and functions

To many people, Chambers of Commerce are prestige organisations, representing and promoting the interests of commerce and industry. They should not be compared with the trade associations whose field of action is limited to the trade they represent and whose membership is confined to that

trade. They also differ from employers' associations by the fact that Chambers have a local, rather than national, role to play. It enables them to focus their information, their knowledge and their actions on the local economic debate. The Chambers serve, represent and protect the interests of the member firms in any sector of industry, commerce and service in their area. This relatively wide coverage offers to the Chambers a comprehensive insight into the economic reality of their area, its strength, its problems and its needs. Their aim is to represent, to protect, promote and assist their membership while participating in local economic development; however, the differing legal status of the Chambers of Commerce throughout the industrialised world affects their functions. These functions determine, and at the same time are dependent upon, their representativeness.

The broad functions of the Chambers can be defined as providing services, either freely or with a charge, to industrial and commercial firms and to represent the membership in their consultative role.

The services include: provision of information such as data on companies, market information, newsletters, lists of distributors or agents, advice on legal or financial matters; of librarian facilities; of documentation, particularly for export such as the ATA carnets, the certificates of origin, the foreign trade requirements; of secretarial services which include telex, fax and mailing facilities; of training courses for members which can include accountancy, marketing, languages etc but also in some countries (France, Germany, Italy), the Chambers are involved in vocational training for the workforce; of technical information and transfer. The Chambers also organise and often accompany missions abroad to promote export and trade. Many continental Chambers play a specific role in the planning and sometimes the management of industrial or commercial sites, in the development and administration of ports and airport facilities (France), of stock exchanges (Germany), in the provision of housing and in the promotion of tourism.

The consultative and representative role of the Chambers at local level varies greatly depending upon their legal status, their membership, their financial resources and the personalities involved. Where the Chamber organisation is

strongly co-ordinated (France, Germany), the regional Chambers and the national body play an active representative and consultative role at the various levels of the political strata.

Chambers under voluntary membership status (Britain)

The prestige aspect enveloping the Chambers, especially the British Chambers, is often emphasised by the Chambers themselves. They use this prestige element associated with their organisation to attract members. This is not to deny the value of the services and functions which the Chambers do perform - but attracting new members and preserving their membership are vital for the existence of the British Chambers. This is due to the legislation under which the British Chambers operate. They are private, autonomous and independent limited-company organisations or, like the Glasgow Chamber, they operate under royal charter. Their funding is insecure as membership is voluntary and this affects the scope of their activities in a variety of ways.

1. Range of services

The services provided and their cost are directly related to the financial position of the Chambers. Large variations exist between Chambers, with the larger Chambers - in terms of membership - being in a position to offer better services both in relation to standards and extent, thus attracting more members. Within Britain it becomes difficult to assess and compare the role and influence of the various Chambers as too many variations render the exercise futile. The London Chamber (by far the largest in the UK) stresses the fact that while the services it provides compare favourably in spectrum with its continental counterparts under public law status, the depth of provision is the important difference in most areas whether in information, documentation, education and training or export promotion. Considering education and training, for instance, the UK Chambers provide a range of courses, mostly short-term and with a limited impact. The French and German Chambers create and develop courses, award diplomas and manage establishments of further and higher education with 40 to 60% of their budgets going towards education and training. They have a legal requirement, which they fulfil

actively, towards training which they regard as one of the keys towards improved economic efficiency and productivity.

While providing some basic services and organising trade missions, most UK chambers are unable to involve themselves in the deliberation of wider issues, not only the issues directly affecting their members (in the majority small firms) but affecting the economic development of the whole community.

2. Recruitment

Recruitment becomes an important part of the Chambers' activities. Time and resources are therefore diverted and utilised for an activity which is essentially an internal matter with no direct connection with the general aims of the Chambers. Thus prestige becomes important for the Chambers established under voluntary membership: it is a tool for recruitment. It will be argued later that the opportunity to directly influence policy-making decisions could prove a more powerful tool of recruitment and participation. The British Chambers do not have exclusivity in the provision of most services to the business community in their area and consequently this method of attracting membership is denied to them. They must compete with a variety of public and private sectors agencies offering similar services to business and commerce.

3. Representativeness

The voluntary character of the British Chambers implies that only a limited number of businesses will become members of their local Chamber for whatever their reason.

The London Chamber has 5,000 businesses registered or represented while another capital city Chamber, Paris, operating under public law status has 245,000 businesses registered (London Chamber of Commerce, 1989). The British Chambers therefore can be said to represent only a small proportion of the total business community in their area. This limited representativeness has important consequences:

- (a) Chambers under voluntary membership can never pretend to represent the whole

business community. Their range of action will therefore be limited as will their impact on the policy makers. They are mostly involved in a limited number of local issues and those affecting their individual memberships.

- (b) They may not reflect the sectoral distribution within their district: some sectors may be over-represented within the Chamber. This will affect their range of activities and the issues debated as mentioned above.
- (c) The Chamber organisation cannot pretend to national coverage as many geographical sectors are without Chamber representation or the Chamber in the area is relatively inactive.
- (d) Their legitimacy can be challenged. This lack of legitimacy can adversely affect their role and limit their field of influence. Functions related to economic development will not necessarily become the responsibility of the Chambers but be given to other economic agencies.

4. Membership composition and staffing

The majority of firms joining the UK chambers are small and medium-sized firms. Many members experience difficulties in freeing themselves from the demands of their businesses in order to devote time to the running of their Chamber. Considering that an already limited number of potential firms join the Chamber of Commerce, the choice of office bearers becomes restricted. This does not deny the competence and hard work the elected members devote to their Chamber duty, but it may limit both the number of issues considered and their depth of analysis. Another factor affecting the choice of issues to be considered is the constraint placed upon the Chambers to maintain or increase their membership level: consensus among the members has to be preserved, with no decisions alienating sections of the membership. This leads to a contraction of the Chambers' range of action and dilution of its influence.

When considering permanent staffing, the

budget of the Chambers - directly dependent on the voluntary memberships' subscription and the services sold - has two main consequences:

- (a) The permanent staff has to be maintained at a minimum level.
- (b) The budgetary restrictions imposed on the salaries offered to the permanent staff may affect the levels of competency which a Chamber can afford.

Voluntary membership: the positive features

Within the British Chambers, the views vary greatly on whether to maintain the voluntary system of membership or lobby government for the introduction of a public law status. Some Chambers even feel that the matter is neither sufficiently important nor controversial to justify the expense of time, effort and funds associated with a consultation of the full membership on the matter. They put forward arguments in favour of the status quo:

- (a) Under the voluntary system, Chambers have to compete against other economic agencies with similar services, in the spirit of the free market competition: standards and services must be maintained. They must attract and retain their members by their own efforts and qualities.
- (b) The views of the membership cannot be ignored. Consensus via consultation, deliberation and compromise on policy decisions, is paramount in order to maintain the cohesion of the membership and its allegiance.
- (c) Their fully independent status gives the chambers freedom of action and intervention on any issue 'they' wish to consider and it allows them to approach and lobby any governmental, public or private organisation.
- (d) They can 'sub-contract' some of their activities by participating in the funding of other organisations thus solving the problem of staff limitation and/or over-staffing. Should a course of action become obsolete they can, with relative rapidity, give their support to another project, hence adding to their flexibility.

These arguments can easily be repudiated by the wider range of actions, of influence and legitimacy afforded by public law status to many continental Chambers.

Chambers operating under public law status (France, Germany)

Under public law status, the Chambers become official public organisation with specific duties, responsibilities and accountability. Membership of the Chamber is compulsory and encompasses the whole of industry and commerce within a defined district. Their funding originates from three main sources: membership subscriptions, services sold and profits emanating from the various organisations they manage.

Apart from providing services to their members, the Chambers have an active role in the economic management and development of their Districts and are deeply involved in local affairs. By law, local, regional and even central policy makers must consult the Chambers and have their recommendations taken into consideration. Through the Chamber, local businesses can influence policy decisions and the Chamber can voice business demands. The Chambers become incorporated in local development and not only defend and promote the narrower interests of their members but those of the whole community in its economic pursuits.

The main tools at their disposal include: extensive and secure financing; legitimate status; expertise and right of access to information.

Legal status confers to the Chambers duties and responsibilities in the provision of defined services. It offers the business community a 'one door' approach which saves time and financial resources, minimises the duplication of services and facilitates eventual communications between the political and economic agencies.

The legal status also offers some uniformity to the Chamber movement. This does not imply that all Chambers are identical in revenue responsibilities and policies - it would nullify the paramount aim of the Chambers: to be representative of local economic affairs and responsive to local needs. However, all Chambers must operate within defined legal boundaries and a variety of functions will be the realm of all Chambers, even if the ultimate decisions on

desirability of action and implementation rest with the individual Chambers. At regional and national levels, co-ordination of aims and policies takes place, shadowing the administrative and political structures.

The Chambers are not merely a 'pressure group' on behalf of business but an independent organisation with the resources and the power to raise issues in the interest of the whole community. They not only react to policy, they pro-act policy decisions.

Public law status: the negative features

An important accusation often voiced against the adoption of public law status is its 'closed shop' quality resulting from the compulsory membership. In an era of free market liberal ideology any form of legislation on business activities acquires negative connotations.

Compulsory membership is also criticised for the extra financial burden it inflicts on small businesses. As far as large businesses are concerned, it is thought to impose a tax for unwanted services: large and very large firms internalise many of the functions fulfilled by the Chambers (administration, information, documentation, export, training, even access to policy makers).

Conclusion

Public law status bestows on the Chambers an official position within their district. Functions pertaining to any aspects of economic development can be assigned to them by central government. Most member firms do not perceive their compulsory membership to the Chamber as an imposition but see the Chamber as an extension of their own firm through which they can benefit from the provision of common services and also co-ordinate the demands, responses and the actions of the economic community in their area.

Private status allows the Chambers complete freedom of action but this freedom is closely dependent on the financial resources of the Chambers, their membership, their representativeness and the competence of the staff they can attract. Historical development and status of the Chambers as well as the personality of their presidents or key members and chief executives will affect the role and the functions

the Chambers can undertake.

The organisation of the Chambers of Commerce can provide a valuable link - to be used in both directions - between policy makers and the business world. At a time when concerted actions become ever more vital in the face of increased competition and insecurity of markets, the Chambers would become the platform where common interests meet and where measures can be taken and implemented. In Britain, a variety of agencies - public, private and/or mixed - exist and are being created (SDA, Enterprise Trusts, LEC etc), dividing and confusing the business community, hindering participation and co-operation, and making uniformity of actions difficult. By operating under public law status the Chambers can become the active tools for local economic expression and development.

The debate remains open, mostly on an academic basis, as to whether Britain should confer public law status to the Chambers of Commerce. In the early 1980s central government, through Michael Heseltine, involved the Chambers in the issue of inner city rejuvenation. While accrued responsibilities could give the Chambers more legitimacy and influence, there still exists the problem of financing and staffing experienced by many Chambers when faced with extra demands. Any added responsibilities or functions have to be matched with a realistic increase in funding. But why should the business community provide finance for services which, in their view, should be the responsibility of central or local government? This, for example, seems to be the dilemma for vocational and industrial training. Various schemes have been put into practice by the government with limited success considering the skilled labour shortages in some industrial sectors. However, individual firms are often reluctant to divert significant resources towards training since returns cannot be guaranteed.

Public law status would place the British Chambers in a similar position to their continental counterparts with the advantages listed above. They would truly represent, promote and develop the economic interests of their locality and the community at large. The main real objections seem to reside in ideology and attitudes. Pressure for change could originate from three

main sources: the Chambers, the business community and the government; most Chambers seem to favour the status quo as Public law status would impose a total structural change for which they do not perceive the necessity. The marginal role and influence on policies they may have at the moment seems to fit their needs; either public or private and may not therefore be inclined to press for more public responsibilities; the present government is most unlikely to impose on business more compulsory requirements in an era of free market ideology. A new organisation, the Local Enterprise Company is now being constituted. Its aims are to bring together the public and private business sectors, the local authorities and the training agencies in order to identify the economic needs of the area and promote its economic development: with public law status, the Chambers of commerce organisation could have fulfilled the task.

The remark of Pierre Lanvers, ex president of Nimes Chamber of Commerce (France) offers a possible definition for the chambers operating under public law:

'A Chamber is the most appropriate institution between power at the highest level and the structural needs, even the most modest ones.'

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