THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

Tax Faculty

Tax Representation

TAXREP 30/04

Property Investment Funds

Memorandum submitted to HM Treasury on 16 July 2004 by the Tax Faculty of the Institute of Chartered Accountants in England and Wales in response to the Consultation document 'Promoting more flexible investment in property: a consultation' issued by HM Treasury and the Inland Revenue on 18 March 2004

CONTENTS

Property Investment Funds (PIF)

INTRODUCTION

1. We welcome the opportunity to comment on the Consultation paper *Promoting more flexible investment in property: a consultation* issued by HM Treasury and the Inland Revenue on 18 March 2004.

WHO WE ARE

2. The Institute of Chartered Accountants in England and Wales (‘ICAEW’) is the largest accountancy body in Europe, with more than 128,000 members. Three thousand new members qualify each year. The prestigious qualifications offered by the Institute are recognised around the world and allow members to call themselves Chartered Accountants and to use the designatory letters ACA or FCA.

3. The Institute operates under a Royal Charter, working in the public interest. It is regulated by the Department of Trade and Industry through the Accountancy Foundation. Its primary objectives are to educate and train Chartered Accountants, to maintain high standards for professional conduct among members, to provide services to its members and students, and to advance the theory and practice of accountancy, including taxation.

4. The Tax Faculty is the focus for tax within the Institute. It is responsible for tax representations on behalf of the Institute as a whole and it also provides various tax services including the monthly newsletter ‘TAXline’ to more than 11,000 members of the ICAEW who pay an additional subscription.

GENERAL COMMENTS

5. Although we have sought to answer the specific questions raised in the consultation document many of the answers depend on the decisions that are taken in relation to other aspects of the scheme.

6. We are sceptical to what extent the policy objectives set out at paragraph 1.22 are capable of being met in the context of a single regime for PIFs. The tax treatment of some institutional investors is very different to that of individuals. An institution that can obtain a greater return by investing through a different structure, such as a Channel Islands limited partnership is unlikely to be attracted to a PIF.

7. This is a particular issue in the context of capital gains tax. If in order to ensure a fair level of taxation capital gains tax (or corporation tax on chargeable gains) is levied on gains made by a PIF the institutions that do not currently pay such tax are unlikely to invest in a PIF.

8. Our conclusion is that a PIF is unlikely to be attractive to both institutional and retail investors if a decision is taken to impose capital gains tax on disposals made by PIFs. In the same way as exempt unit trusts have been set up specifically for tax exempt investors, such as pension funds and charities, there may be a need to have special

PIFs which are exempt from capital gains tax but open only to exempt investors to attract such investors if a decision is taken to impose capital gains tax on disposals by PIFs.

9. Similarly considerations apply in respect of foreign investors who do not currently suffer UK capital gains tax. Such investors may be reluctant to invest in a PIF if it is liable to capital gains tax - although if a PIF is the only realistic way for small investors to invest in UK property the tax disadvantages might be considered an acceptable price to pay for the ability to make such an investment.

SPECIFIC COMMENTS

A1 To what extent would a PIF (a) help to promote structural reform in the commercial property market and (b) encourage greater institutional investment and stimulate new development in the residential sector?

10. We believe that there is a demand by small investors to be able to invest in quality commercial property. This is not currently feasible as the cost of a single commercial property is beyond the means of small investors. PIFs can therefore be expected to bring a substantial amount of additional finance into the property investment market. Property is generally felt to be a good long term investment so it seems likely that small investors will regard an investment in a PIF as a long term investment rather than a speculative one.

11. The extent to which a PIF would promote greater structural reform is likely to depend on the tax treatment. Currently property investment companies that develop commercial property pay no tax on the development profit until the property is sold. Many therefore tend to hold onto a property long term. If a development company can develop a property through a subsidiary and convert the subsidiary into a PIF without triggering a substantial tax charge PIFs might well become the main long term holders of developed properties with developers using the finance from selling shares/units in the PIF to carry out new developments. PIFs would therefore be likely to stimulate development. If on the other hand conversion to a PIF were to trigger capital gains tax we suspect that developers would prefer to keep developed properties in their investment portfolio. PIFs might then become purchasers only of properties that are nearing the end of their useful lives and which will need to be redeveloped or substantially refurbished within a comparatively short period.

12. It is unclear to what extent institutions are likely to be encouraged to become long term investors in residential property unless the tax position of a PIF provides a specific encouragement to do so. It is also unclear what type of new development the Government wishes to encourage. The majority of residential property is held by owner-occupiers, not by investors, with the exception of low cost housing which is held by either local authorities or housing associations. There has been a surge in ‘buy to let’ investments in the last few years but such properties tend to form temporary accommodation for students, people who relocate temporarily to a different area of the country, foreigners who are working temporarily in the UK and people who have opted to rent on a fairly short-term basis between selling one house and buying another because they are taking a view on movements in the property market.

13. It seems unlikely that PIFs will become investors in low cost housing unless they are forced to do so, as the rents from such properties are unlikely to generate an attractive return on the investment. We think that PIFs are likely to invest in mainstream residential properties although we are sceptical as to how great the demand for such properties to rent actually is, or the extent to which it is not already being met by the market. Recent press comment suggests that there is already an over supply of such accommodation and that owners of rental properties are having to lower their expectations of the rents they can achieve.

14. If we are wrong we would expect that PIFs will stimulate new residential development, as a PIF will be a buyer for an entire development thus obviating the need to seek to sell at least part of a development to owner-occupiers to reduce the carrying cost.

A2 To what extent would a listed PIF close the gap with net asset value and enable a wide retail investor base?

15. We think that this depends on the tax treatment. It seems probable that the gap is largely attributable to two factors, namely the inherent capital gains tax on unrealised gains and the risk that a property company cannot readily divest itself of properties to meet unexpected financial problems, particularly in a falling market, so there is a significant risk that the value of a property might not be readily realisable. A PIF is likely to suffer from both of these disadvantages if it is subject to capital gains tax on property disposals. If it is exempt from capital gains tax the discount to net asset value is likely to be smaller than with property investment companies.

16. We doubt that an unlisted PIF could meet the objectives unless there is some other form of market for the shares/units. Retail investors want to be able to realise their investments quickly. We doubt that either requiring a minimum number of investors or restricting concentrations of investors would help. Indeed the experience with Enterprise Zone Property Trusts (EZPT) suggests that unlisted PIFs would attract only fairly wealthy investors. There have been very few marketed EZPTs in recent years. At the height of the EZPT market the investment was being marketed as a three to five year investment and required a minimum investment of either £5,000 or £10,000. We suspect that an unlisted PIF would be marketed on the same basis. We doubt that a PIF with a five-year life would achieve any of the government's objectives. Furthermore over-marketing of EZPTs, i.e. promoting trusts set up to finance a development without a pre-let of the developed building or buildings, led to significant losses to investors, so we would expect investors to be wary of unlisted PIFs unless there is a market maker for the shares/units i.e. once bitten twice shy. Accordingly unlisted PIFs would probably have a considerable job to do.

A3 Should the property management arrangement of a PIF be prescribed through legislation?

17. No. A PIF needs to be a flexible vehicle. It is likely that in most cases a mixture of internal and outsourced management will develop. It seems likely that PIFs will be set up by existing investment managers who will want to exercise strategic control

over the PIFs investment. However if a PIF has a portfolio of properties, the day to day management of the properties will probably be put into the hands of local estate agents who have knowledge of the local letting market and can easily visit the property on a regular basis.

A4 Should the minimum income distribution requirement be 90 per cent (before depreciation)?

18. We do not think there should be a minimum distributions requirement. However, there should perhaps be a requirement that the purpose of a PIF is to distribute its income so that a PIF which cannot justify the level of retention that it has adopted could be required to make a further distribution or lose its PIF status.

19. Properties need to be maintained in a good state of repair and void periods between lets have to be financed. Moreover it is generally accepted that most modern buildings have a useful life of only around 60 years and require a substantial refurbishment after 30. A PIF needs to have the funds available to carry out such a refurbishment and should be able to build up such funds out of income rather than being forced to borrow to meet that need.

20. If there is a requirement to distribute a minimum proportion of income we can see no justification for calculating this before depreciation. Much plant and machinery in a building has to be replaced periodically and depreciation is designed to create a fund to meet such replacement costs. If there is a fear PIFs may adopt over-aggressive depreciation policies, we can see the merit in having a minimum distribution requirement that is based on taxable income, i.e. after capital allowances. However, we think that this would be unlikely in practice because the market price of shares/units is likely to be influenced by a full distribution policy, so there is a disincentive to PIF promoters to retain income beyond the likely needs of the PIF.

21. We can see merit in a PIF being prohibited from using undistributed income, as opposed to capital gains, to acquire new properties or towards the cost of redevelopment of an existing property.

22. The distribution of capital gains raises different issues. If in order to encourage institutional investment, capital gains are not taxed within the PIF there is a strong argument either for prohibiting the distribution of such gains or imposing a tax charge on gains when they are distributed. If a PIF is taxable on capital gains they should be distributable but not required to be distributed. The tax treatment of such gains in the hands of the investor is considered at A10.

A5 What level of borrowing should be permitted in order to best deliver increased market scrutiny and stability in the property investment market?

23. We have no strong views. We believe that a PIF should be able to borrow. We also think that there should be a limit on such borrowings as a PIF ought to be a relatively safe investment and high gearing would not only significantly reduce the income available for distribution but could also create a significant risk of insolvency. We think that a borrowing limit of 50-60% of property assets would not be unreasonable.

A6 Should there be restrictions on the development and investment activity of a PIF and the definition of allowable property? How should this be achieved?

24. We have no strong views. We think there is merit on a PIF being primarily an investment vehicle that acquires developed properties. However there may be a problem if a PIF cannot redevelop its buildings when they reach the end of their economic life. They would then either become forced sellers, which is not in the interest of their investors, or seek to prolong the life of the buildings, which is not in the interests of the environment as there will be a temptation to keep dilapidated buildings in service as long as they produce a marginal rent.

25. We do not think that there should be a restriction on the type of property that a PIF can hold but think that there should be a limit on the proportion of its income that does not derive from rents. There is a trend towards mixed retail and leisure, or mixed hotel and residential, developments so a prohibition on a PIF holding leisure properties would significantly restrict its investment in other areas. However a PIF should have to lease out leisure areas to an arm's length operator unless the leisure activities are relatively small e.g. we cannot see any objection to a PIF operating "rides" for children in a shopping centre that it owns where it wants to include such facilities as a means of attracting custom to the centre.

A7 How could the structure of a PIF be designed to ensure a better quality of stock? Is a minimum holding period appropriate and if so how long should the period be?

26. We doubt that a structure of a PIF will influence the quality of stock. However secondary or run down property does not normally provide an attractive return without very intensive management so the market is likely of itself to ensure that PIFs maintain a high quality of stock.

27. We do not think that there should be a minimum holding period for properties. Outside factors can unexpectedly render an existing investment unattractive. The tax distinction between dealing and investment is itself a discouragement to early sales unless there is a good commercial reason for doing so. Dealing profits are taxed more heavily than investment gains and if a property is held for a short period the Inland Revenue are likely to question whether the purchase and sale is in reality a dealing transaction.

A8 How could a PIF deliver high quality residential property for the entire range of rented accommodation and what features of a PIF would help to achieve this aim, while meeting the objective to ensure no overall cost of the Exchequer?

28. We doubt that it can. We do not think that social housing is likely to provide an acceptable return on investment to a PIF so it is unlikely that PIFs will invest in such accommodation without specific incentives for them to do so.

A9 How could a PIF be structured to encourage greater flexibility for occupiers in the commercial rented sector? What conditions could be set for PIF landlords to ensure high standards in both residential and commercial sectors?

29. We doubt that a PIF can achieve either of these objectives and do not think that it should be required to do so. A PIF needs to be designed as an investment vehicle. If it is to attract retail investors we do not believe it is reasonable to expect such investors to be required to undertake the risks inherent in greater flexibility for occupiers. This increases the cost of management and creates a risk of void periods, both of which are likely to reduce the security of the investment return and render PIFs unattractive.

30. We also doubt that the creation of a two-tier commercial property market with properties owned by PIFs being required to be let on different terms to other properties will be in the best interests of the market overall.

31. We think that the market will ensure that PIF landlords achieve high standards and that the Government should leave this to the market.

A10 To ensure no overall cost to the Exchequer, what is the most appropriate system for taxation at the PIF level? Is it appropriate to require a PIF to distribute a high proportion of realised capital gains to investors?

32. We assume that this question can be approached on the basis of overall cost so that a loss of, say, capital gains tax would be acceptable if it is countered by an equivalent gain in, say, stamp duty and/or SDRT on sales of shares/units in the PIF.

33. It is obviously difficult to answer the question without knowing -

a) what is the current tax yield from transactions in property and in shares in property companies, and

b) what sort of investors a PIF is seeking to attract; it is unlikely to attract investors who currently enjoy exemption from either all tax or from capital gains tax unless the taxation of a PIF preserves that exemption.

34. We would question the assumption that a PIF would pay no tax on rental income. This would result in a deferral of tax on income required to build up a fund to meet future repairs and other significant revenue expenditure, which the consultation document does not appear to envisage. It might also require the introduction of a withholding tax on distributions, at least to the extent that the investor is resident outside the UK, and would require small retail PIF investors to complete self-assessment tax returns which many are currently not required to do. We question whether exempting the PIF from tax on rental income justifies the complications this would cause. However we accept that to impose tax at PIF level would make PIFs unattractive to tax exempt investors. If the Government wish to attract such investors then we agree that there should be no tax at PIF level.

35. Treating income distributions to investors as a deductible expense in calculating taxable profits does not achieve the payment of no tax on rental income as it will result in tax being payable on income retained to meet future expenditure. It will also require fairly complex rules as a PIF cannot be expected to distribute its income during its accounting year; it needs to prepare accounts to quantify the income, so some at least will need to be distributed after the end of the accounting year. Such a distribution will need to be deductible in the year to which it relates, not that in which it is paid.

36. Unless the tax system is driven by a wish to attract exempt investors, it might be better to impose tax at the PIF level at, say, the income tax basic rate and give the investor a tax credit so that individual investors need pay only higher rate tax on distributions so as to bring the tax charge to 40%, basic rate taxpayers will have borne the correct tax, corporate investors could set the tax credit against their corporation tax liability and charities or other exempt investors could reclaim the tax.

37. If rental income is to be exempt at PIF level there is a problem with capital allowances. We do not agree that this can be solved by denying a PIF the benefit of such allowances. Other than retail investors for whom a PIF provides the only opportunity to invest in property, investors are unlikely to invest in a PIF if such an investment results in a higher tax charge than a direct investment in property or an investment through an alternative vehicle such as a limited partnership.

38. One possibility might be to allow a PIF to retain income untaxed up to the amount of capital allowances to which it is entitled. A better solution might be to exempt part of the distribution to investors from tax so that the benefit of capital allowances is passed to the investor. The capital allowance problem of course does not arise if tax on income were imposed at PIF level rather than wholly at investor level.

39. We are not attracted to having a different system for taxing non-rental income as suggested at paragraph 3.8. This creates double taxation if such income is distributed and taxed again in the hands of the investor. It also complicates the system, making it more difficult for an investor to understand the effect of an investment through a PIF rather than through a property company. A PIF ought not to be permitted to have substantial non-rental income so such income is likely to arise either from incidental trading activities designed to enhance the rental income, such as might be undertaken at a shopping centre, or the temporary investment of funds awaiting investment in property, so the amounts involved are unlikely to be significant (other than if a purchase and sale of a property is held to be a dealing transaction).

40. We are in favour of a PIF being exempt from tax on capital gains with the investor being subject to capital gains tax in the normal way when he sells his shares/units, and the distribution of capital gains being prohibited. This would however be likely to result in a cost to the Exchequer in the long term if the comparison is with the tax that would be paid on a direct investment in property, although it seems likely that sales of investments/units would occur far earlier than sales of properties so there would be likely to be a short-term benefit to the Exchequer. We do however agree that the impact of the capital gains tax annual allowance might well significantly reduce this benefit.

41. We are not in favour of PIFs being required to distribute capital gains. It is more sensible for gains to be invested in further properties rather than the PIF having to incur the heavy costs of raising fresh funds for new investments.

A11 Given the impact of characterising distributions from a PIF as dividends, would the option to treat distributions from a PIF as income from property, taxed at UK investor's marginal rate pose any unforeseen problems?

42. We cannot see any particular problem in characterising income from a PIF as income from property. We cannot, however, see any particular advantage in so doing. On the assumption that the proposed withholding tax would be at the basic rate not the Schedule F rate, it could not be characterised as investment income as it would suffer tax at the wrong rate. If it is characterised as property income and the investor has other properties we assume that if it is characterised as income from property it would be regarded as income of the investor's Schedule A business and that Schedule A losses could be set against it. We assume that if this were done the withholding tax would be repaid.

43. It is not clear what is proposed on the quantum of the income. We assume that the investor would be taxed on distributions that he receives during the tax year even if, to avoid a mismatch creating a tax liability within the PIF, distributions are deductible by the PIF by reference to the year to which they relate rather than the year of payment. We do not think that the income could be taxed on an accruals basis, as at the time of a purchase or sale of a PIF share/unit the information needed to do such a calculation would not be available.

44. We imagine that a PIF will probably distribute income quarterly with the first three payments being on an estimated basis and the fourth being based on the accounting result less the interim distributions already made. This would mean that holders of shares/units at the time of the interim distributions would be taxed on a lower sum than if they had received the rents direct, but that seems fair as they will receive only the amount of the distribution.

45. We doubt that the non-resident landlord scheme can be satisfactorily adapted to investments made in a PIF by non-residents. The rationale behind that scheme was that the non-resident owned property in the UK which in effect provides a means of enforcing payment of the tax (at least until the last year of ownership) and, more pertinently gives the owner an incentive to pay the tax rather than risk bankruptcy proceedings in the UK. This safeguard is not available for an investment in a PIF which can be quickly sold leaving the investor with no assets in the UK. In these circumstances if tax on the income is to be imposed at the investor level we think that a withholding tax may well be the only effective way of enforcing payment by non-residents.

46. As indicated earlier if capital gains are distributed and characterised as income that would not make PIFs unattractive to UK residents - although this may not be such a problem in practice, as an investor who cannot afford to invest in UK property other than through a PIF might be prepared to accept tax on the gain as a cost of making the

investment. A problem of recharacterising gains as income is that such recharacterisation will be overridden by double tax agreements. This may result in a lot of small repayment claims by residents of certain countries.

A12 What should the appropriate liability for SDRT and SDLT be for a PIF and investors in a PIF to ensure no overall cost to the Exchequer?

47. We do not think that any special rules are needed. We doubt that PIFs will hold on to properties for significantly longer than existing investment vehicles. The decision to retain or sell is an investment decision based primarily on property considerations. Those considerations will be the same for a PIF as for a property investment company. Indeed, assuming that SDLT will be payable on the transfer of a property into a PIF, it is likely that the availability of PIFs will generate sales of properties by development companies significantly earlier than would otherwise have been the case.

48. There are likely to be a far greater number of sales of shares/units in PIFs than currently applies to sales of properties. Accordingly the SDRT yield may exceed the possible loss of SDLT but we are not in a position to assess whether there will be a cost or a benefit to the Exchequer.

A13 What implications would International Accounting Standards (IAS) have for a PIF?

49. The Revenue are of course already consulting the professions in relation to the impact of IAS generally. That is probably the appropriate forum to consider how to deal with these particular problems. The current Finance Act contains provisions under which tax will not follow IAS in some situations. With the exception of depreciation, which we believe will need to be substituted by capital allowances in any event, we doubt that IAS will be significantly different in relation to property investment than UK GAAP.

50. There are a number of differences between UK GAAP and IAS that might impact PIFs and which are explained in the next four paragraphs.

51. IAS 40 allows investment properties to be recorded at either depreciated cost or at fair value. UK GAAP (SSAP 19) mandates the use of fair value for investment properties. Whilst we would not expect depreciated cost to be the preferred option of many PIF managers, there may be reasons in the future (possibly tax or cost related) that lead them to adopt this route.

52. IAS 40 requires a leasehold investment property to be treated as a finance lease. In practice leasehold property will continue to be recorded on the balance sheet at valuation, however this value will be increased by the present value of the minimum payments under the lease, and an equal and opposite finance lease liability will be reported within creditors. Whilst this should have no net impact on NAV, it could materially alter the vehicle's gearing ratio.

53. IAS 17 requires that an occupational lease for property be split into two underlying components for accounting purposes – a lease of the land and a lease of the building.

Rents paid by a tenant may need to be apportioned between that element relating to the land and that relating to the building. Each element is to be considered separately under the standard. Land will continue to be treated as an operating lease, will remain on the landlord's balance sheet as an investment property, and the rent apportioned to the land will be recognised as rental income.

54. Unrealised capital gains and losses arising on the revaluation of properties will be reported in the Profit and Loss account of PIFs (IAS 40) and included in income. Under UK GAAP these unrealised gains and losses are taken directly to reserves and are reported in the statement of recognised gains and losses.

55. However we do not think that the PIF rules need specific provisions to deal with these problems as they will apply to all property vehicles.

56. We think that the introduction of PIFs ought to require specific consideration of one issue that arises both with UK GAAP and IAS which is probably far more important with PIFs than with existing vehicles. This is that where there is a rent free period there may be a problem under IAS as either could result in tax being payable on unrealised income.

A14 What factors should the Government take into account in setting the scale, nature and timing of the conversion charge to a PIF?

57. It is important that the conversion charge does not discourage conversion. In particular we do not think that capital gains tax should be triggered by the conversion provided that the initial ownership of the PIF is the same as that of the previous vehicle. In most cases the gain would not be triggered for many years if the existing vehicle were not converted into a PIF.

58. We are attracted to a one-off entry charge based on the value of property assets "transferred" into a PIF. We think however that this would need to be at a low rate - probably 1% - 1.5%. A higher rate would probably be a deterrent to conversion of offshore investment vehicles. A 1% rate will probably be regarded as an acceptable price to pay to obtain the marketability of shares/units.

59. If a PIF ceases to qualify as such we can see merit in imposing a capital gains tax charge at that stage.

A15 With no other changes in taxation, what impact might the introduction of a PIF have on alternative options for property investment? What, if any, are the implications for the distribution rules of authorised investment funds?

60. The effect on existing vehicles is likely to depend on the detailed rules that are adopted and, in particular, the size of the conversion charge. As a fundamental objective is to ensure no overall cost to the Exchequer, a PIF will not be a tax privileged vehicle. It is therefore unlikely that it will become the standard vehicle for UK property investment. It will simply be one possible means. If the conversion charge is low, some existing vehicles might convert to PIFs although we are sceptical

whether this will occur if a PIF is required to be a widely held entity which, as indicated earlier, we think is desirable.

61. We doubt that authorised property investment funds can co-exist easily with PIFs if the rent received by an AAUT/OEIC is taxed at 20% and that received by a PIF is tax free but distributions are subject to a withholding tax at a rate higher than 20%. Both are retail investment products. The tax treatment adopted for a PIF is likely to determine whether new funds are set up as OEICs or PIFs.

A16 What role and contribution can Unauthorised Unit Trusts continue to make to the wider objectives of reform set out in this document?

62. We suspect new funds will be set up as PIFs rather than as UUTs. This may depend on the restrictions placed on the operation of PIFs. If a PIF is required to hold a minimum percentage of residential property, or its flexibility or management is curtailed, then the greater flexibility of UUTs might well indicate a continuance of such vehicles.

A17 What are the main reasons for the lack of interest of Investment Trusts participating in housing? Is there any reason why this legislation should not be repealed?

63. We do not know why Investment Trusts have chosen not to invest in housing. We suspect that the low threshold value limits is, as you say, a contributor factor. As indicated earlier, we do not think that social housing is an attractive commercial investment. We are doubtful as to what extent residential housing in general is likely to be an attractive investment. It requires intensive management, creates significant risks of voids and increasingly housing legislation appears to favour creating new rights for tenants at the expense of maintaining the legitimate expectations of landlords.

64. We are in favour of repealing legislation designed to incentivise certain types of behaviour where the incentive has proved ineffective. We have said before that we do not believe that the tax system ought to be used to seek to bring about behavioural changes; its sole role should be to raise the revenue needed by the government.

A18 If a PIF were introduced what would the most appropriate method for evaluation be?

65. We believe that once a suitable time has elapsed, there should be an independent evaluation of PIFs.

A19 Would these proposed changes significantly increase regulatory burdens and compliance costs, and if so how?

66. This question seems premature. The consultation document does not set out proposals but merely a number of issues with some possible means of solving them. Until the Government decides on the broad shape of the regulation and taxation of PIFs it is not possible to identify what the compliance costs are likely to be. Until the

Government decides how much flexibility a PIF will be allowed it is similarly not possible to identify the regulatory burdens.

RM/IKY
16.7.04