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PART A

Chancellor's (Lawson) Papers:

**THE FUTURE OF THE
COOPERATIVE DEVELOPMENT
AGENCY**

DD's 25 Year

Lawson

8/12/95.

PO -CH /NL/0385
PART A



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With the compliments of the Secretary of State

Apologies for not enclosing this
report with Norman Fowler's
letter to the Chancellor of
27 November.

Liz Smith



Employment Department · Training Agency
Health and Safety Executive · ACAS

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THE CDA BEYOND 1990

REPORT & RECOMMENDATIONS

31 August 1988
CDA Board.

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SUMMARY OF CONCLUSIONS & RECOMMENDATIONS

- 1 Since its inception the CDA has made a contribution to the vitality of the co-operative and small business sector. The Agency's achievement, coupled with its analysis of future needs, has led to the recognition, that the Agency ought to use its skills to develop its role beyond those activities set out in the 1978 and 1984 Acts. This would allow it to take account of the ways in which employee ownership has been evolving in the UK and other parts of the world.
- 2 There is an opportunity to create two million extra employee share-owners over the next decade within the United Kingdom. This can be achieved by adopting a positive policy towards introducing **Employee Share Ownership Plans (ESOPS)**.
- 3 The experience which the Agency has gained in the co-operative sector would be directly relevant to the development of wider employee participation and share ownership. Certain of its other activities would provide a platform to support small businesses in meeting the challenge of the single European Market of 1992.
- 4 The Board recommends that:-
 - 4.1 the name of the Agency be changed to **Partnership in Business (PIB)**.
 - 4.2 the remit of the Agency be:-

"to promote the development of participation by employees in ownership of the enterprise in which they work".
 - 4.3 the Agency be given the **objective** of organising its activities to achieve the **creation of two million additional employee share-owners within a decade**.
 - 4.4 Legislation be included in the Finance Act to create **fiscal advantages** for those **Involved in ESOP'S**, viz:-

the existing proprietor
the participating employees
the company concerned
the lending institutions.
 - 4.5 The Agency be provided with **public monies** to carry out its role, either as a **statutory body** or as a **private contractor**.

1 Introduction

From the body of the report it will be seen, that there is a clear continuing role for the Agency beyond 1990. The Board is recommending, however, that the emphasis be changed to promoting the development of participation by employees in ownership of the enterprise in which they work.

Two million extra employee share-owners could be created within the next decade, if a positive policy is adopted in the UK towards the introduction of ESOPS. Since the majority of the shares involved would only become available for purchase through the adoption of an ESOP, they would represent a net addition to the spread of share-ownership and with employee holdings of a significant size within each business. The USA has already, in just over a decade, achieved a total of 10 million new share-owners. Allowing for the difference in size between the two countries, an objective of 2 million for the UK seems conservative.

ESOPS not only spread wealth and introduce a new stratum of share-owners, they also:-

- *create and maintain jobs*
- *raise capital*
- *improve corporate performance.*

The CDA Board believes, that the Agency has the experience and skills to spearhead the promotion of this opportunity. Given approval and authority by Government, the Agency would initially be able to attract private sector funding to meet part of its costs and would become self-financing over a period of six years. In the USA, 12 state governments have established publicly funded agencies to develop ESOPS and co-operatives. Their major role is to bring together state and private resources to further the growth of ESOP organisations.

There is a specific market opportunity, within the small to medium-sized private (unquoted) companies, which the Agency would tackle on a fee-earning basis. The Agency's skills in promoting model corporate constitutions would help to overcome the very high threshold costs of a customised package. With the UK becoming the European leader in this development, there would be an exciting opportunity for the Agency post 1992.

To achieve these objectives, certain changes will have to be made in the Finance Acts. At present too much reliance is placed on case law. Provision needs to be made for the following:-

- *Hold-over Relief, when a proprietor re-invests the proceeds of selling his shares to an approved Employee Benefit Trust (EBT)*
- *Tax Relief on payments to an ETB, when used for:-*
 - *Issue of shares in own company*
 - *Purchase of shares in own company*
 - *Interest payable by ETB*
 - *Limited purchase of outside securities.*

Progress towards these objectives can be accelerated, if thought worthwhile, by giving extra tax incentives. In the USA Banks were given a special incentive, when lending to an ESOP. It is obviously also essential to ensure, that the share-ownership can ultimately be vested in individual employees. It would be desirable and practicable (and would fit within the Act) for the Agency to embark on its new role immediately. This it would be able to do, if the funds voted to the Agency in the 1984 Act were released.

2 Present position

2.1 The CDA's original remit

2.1.1 Any business enterprise will be more effective, in terms of increased productivity and profitability, when those who work in it are fully committed to its success. Increased employee participation and ownership are two of the more effective ways of achieving such commitment. The co-operative structure provides one of the better established and more widely recognised means for an enterprise to develop a high level of commitment amongst its employees.

2.1.2 It was recognition of this fact, which led to the establishment, by Act of Parliament in 1978, of the CDA, the powers of which were re-inforced and extended by the 1984 Act. The Agency was given the remit to promote generally the principles and practice of co-operation but also specifically "to identify ways in which the establishment, development and evolution of co-operatives might be facilitated."

2.1.3 The CDA saw, that the best way to implement its broad role of stimulating co-operative development was to concentrate on a number of key areas, in order to make the most of limited funding and resources. It, therefore, chose to focus on the following:-

The establishment of **local Co-operative Support Organisations (CSO's)** and the provision thereto of continuing specialist advice and services.

Acting as a national distribution channel and clearing-house for good ideas and practices.

Undertaking national publicity to promote awareness of the co-operative option.

Ensuring that education and training, both in general business skills and specific co-operative needs, are available, publicised and co-ordinated.

Establishing and supporting in the setting-up and early stages of their development, where appropriate.

2.2 Current activity

2.2.1 The current core activity consists of:-

An enquiry and advisory service, currently handling some 3,000 queries per year.

Case work and registrations.

Research and development.

Publications.

Provision of education and training.

Although the CDA is not a direct provider of training, it does seek to ensure that appropriate education and training are nationally available, publicised and co-ordinated.

Promotion.

Co-operative principles and structure remain imperfectly understood, particularly within the financial and professional sectors, promotion of national awareness has, therefore, been a key part of the CDA role.

Over the last ten years the number of new co-operative businesses has risen from under 200 to over 2,000, creating 15,000 new jobs. This has been achieved by the CDA working alongside other organisations in the co-operative field.

An important contribution to co-operative development has also been made by the local CSOs. There are now 120 CSOs, covering between them much of the country - 20 of these are provided by **Local Enterprise Agencies (LEAs)** and a further 20 by **Economic Development Units**.

2.2.2 Research and development of CDA initiatives

The CDA is the only organisation in the co-operative field which, by reason of its broad remit, skills and resources, is in a position to pursue practical research and development across a broad range of topics.

Research already undertaken has included an investigation into ways in which the formation of co-operatives can be simplified and into the development of sophisticated new structures, such as **Equity Participation Co-operatives (EPCs)**. The EPC concept makes it possible to bring external equity into a co-operative, whilst allowing its members to retain control.

The CDA's research and development effort takes full advantage of the co-operative, taxation and company law expertise possessed by its staff.

2.2.3 Provision of a forum for the wider co-operative movement

The CDA has provided the Chair and secretarial services for a forum of the co-operative movement. This initiative has led to the setting-up of joint working parties on law, taxation, finance, marketing and training.

The CDA has never had enough resources to fulfil its original remit of acting as the co-ordinating body for the wider co-operative movement, comprising consumer, agricultural, horticultural and housing co-operatives and credit unions.

The Agency's activities have been largely restricted to the worker co-operative sector. The larger agricultural sector is, therefore, served by Food from Britain and, although the CDA is interested in both housing co-operatives and credit unions, it has not been able to play an active role in relation to either.

3 The evolution of the CDA's role

- 3.1 As a forward-looking organisation, the CDA has anticipated the need to develop its activities beyond the present range in the following ways:-

By being responsive and relevant to priority needs and their development, particularly in the creation of enterprise and employment and in the regeneration of the inner cities.

By focussing on the need for efficiency, economy and effectiveness, in order to help create larger, stronger and more efficient participative businesses.

- 3.2 The CDA has, therefore, altered the emphasis of its activities, within the constraints of the Act, by undertaking three initiatives:-

3.2.1 Marketing Groups (Co-operatives)

Marketing is the dynamic of business and will be at the core of any real growth in the small business sector and yet it has been identified as a key weakness within that sector.

By joining together in marketing groups, such businesses can afford to buy the requisite skills and achieve the economies of scale necessary to compete with big companies both at home and abroad. The need has been clearly demonstrated by the number of enquiries, from both small and large businesses, which have resulted from a very modest promotional campaign.

The development of the Marketing Co-operative concept is a good example of the CDA's innovative role. The benefits, which the development offers, lie in:-

*Improving the competitiveness of small businesses.
Reducing their failure rate.
Enabling them to compete internationally.*

3.2.2 Middlesbrough Co-operative Initiative (MCI)

Funded by the DTI, the MCI has created enterprise and employment, by strengthening the co-operative sector in the Middlesbrough Inner City area.

As the result of market analysis, identification of product or service opportunities and the introduction of co-operative entrepreneurs, new enterprises have been formed, which have created jobs for groups of people. This has been achieved in partnership with the local support organisations.

The 'top-down' approach of working back from market needs is based on the methods of the Mondragon group of co-operatives in Spain, although, it must be emphasised, the resource deployed in Middlesbrough is minute by comparison with that utilised in Mondragon.

An Inner City initiative, such as the MCI, is one of the more promising ways of:-

Creating enterprise and employment.

3.2.3 Equity Participation Co-operatives (EPCs)

Co-operatives are at a considerable disadvantage by comparison with conventional companies, when it comes to raising finance. EPCs use conventional sources of equity finance, whilst allowing the workforce to retain control. Control is only lost, if the enterprise ceases to be profitable. The introduction of equity capital enables much bigger co-operatives to be formed - from scratch, conversion or rescue. This hybrid corporate structure lies at the interface between co-operatives and the myriad organisations with some degree of employee ownership - such as ESOPs and management buy-outs, which are outside the CDA's current remit. EPC's offer the opportunity of:-

*Providing employees with a stake in the economy.
Making pay and profit more congruent.
Improving industrial relations.*

4 The future of the CDA

The direction of the Agency beyond 1990 requires consideration and evaluation of the following:-

4.1 Maintenance of current activities

The continuing vitality of the co-operative sector is demonstrated by the constantly increasing volume of enquiries, received by the CDA, and the interest aroused by its Marketing and Middlesbrough Inner City initiatives.

Maintenance of the core activities is important but would not be possible without continued government funding, since the activities themselves do not, in the main, generate income.

4.2 Co-operative development

Co-operative development is primarily a local, de-centralised activity. The CDA has, therefore, encouraged the formation of local CSOs, which can best use local knowledge to stimulate the process.

Although the number of CSOs has increased, it remains important to extend the national coverage and, by providing relevant training, to improve the quality of business advice which CSOs are able to offer. The CDA believes that much of this work could be carried out by other organisations.

4.3 Marketing groups

The CDA considers that the promotion of marketing groups will be a key area for the future and plans to target this effort on established small and medium-sized businesses. Such groups will form a platform for attacking the wider European market in 1992 and also act as a bulwark against European competition.

In the longer term this work should become self-financing, especially when it begins to encourage groups of existing flourishing businesses to co-operate in general and export marketing. There will, however, be little opportunity to generate income, until there have been a number of well-publicised success stories.

By 1990 the CDA aims to have handed over the responsibility for the development of marketing co-operatives to other organisations, such as LEAs (which are one of the natural points of contact for such companies), BIC and Chambers of Commerce, whilst itself remaining ready to provide advice and consultancy in this area. Unfortunately the response from these organisations to date has been disappointing and has left the CDA with a demand, which it cannot satisfy from its existing resources. Efforts to transfer the workload are, however, continuing.

4.4 Inner City regeneration

The CDA sees itself as providing a specialist co-ordinating service in the regeneration of Inner Cities. It would recruit the entrepreneurs and fund them until their new organisations were self-supporting. It would ensure that the local support agencies were capable of sustaining the enterprises, when the national CDA withdrew. It would also work with national organisations to help provide a fuller service.

4.5 Provision of a forum for the wider co-operative movement

The CDA's experience in running a cross-sector forum is, that the disparate nature of the various sections of the movement, coupled with the diversity of their objectives, makes it difficult to reach effective conclusions.

Despite this problem, co-ordination of the movement as a whole would be beneficial, in terms of improved cohesion and effectiveness. A public agency, however, does not seem the most appropriate body to co-ordinate the activities of an independent movement. The CDA feels that it would be better, if the organisation, which undertook this, were drawn from and financed by the sectors participating.

4.6 Promotion of all forms of Employee Ownership

4.6.1 The CDA is and must be a forward-looking organisation. Whilst remaining firmly committed to the principles of co-operation, the Agency recognises fully the need to develop its role further, particularly to take account of the ways in which employee ownership has developed in the UK and in other parts of the world.

4.6.2 The concept of employees owning shares in the company for which they work has been introduced, in this country, in a number of different ways. Some well-known examples are the John Lewis Partnership, the Baxi Partnership and, more recently, the National Freight Corporation.

4.6.3 The present Government has recognised the benefits of increased employee ownership and participation, by offering tax concessions to share ownership and Profit Related Pay (PRP) schemes. Some 1,350 firms have already taken advantage of these, benefiting about 1.5 million employees.

4.6.4 Other countries have developed different approaches to the concept of employee participation. Amongst the most notable of these have been the Employee Stock Ownership Plans (ESOPs)*, first introduced in the US. Within a decade, ESOPs have grown to encompass more than 10 million American workers.

Schemes designed to produce similar results are found in West Germany, the Netherlands and Sweden. The common link between all these is, that they provide a new and untapped source of risk capital and thereby increase investment in their national economy.

**For a working definition of ESOPs see Appendix .*

4.6.5 Revised legislation would be necessary to enable the CDA to promote and develop similar employee ownership schemes and trusts, and significant improvements could be thus made to the overall health and dynamism of the British economy. The change would increase investment in British business and render the economy more dynamic, by providing a new and untapped source of risk capital.

4.6.6 In addition to the foundations already laid by the Unity Trust Bank, the experience which the CDA has gained in dealing with co-operatives would be directly relevant to the development of wider employee participation and share ownership. The Agency would use existing skills to:-

Promote and develop new models of employee trusts.

Promote good practice and develop a code of conduct for this area.

Encourage a competitive market in the provision of employee trusts.

Coordinate state and private funding of ESOPS.

Identify appropriate changes in legislation and advise Government on the detailed implementation.

Provide an enquiry & advisory service

Provide a registration service

Carry out case work

Continue research & development

Compile & issue appropriate publications

Co-ordinate the provision of education & training.

4.6.7 The CDA sees the move into the area of employee trusts as a natural extension of its existing activities. It can be argued that employee trusts are a modern form of co-operation. Although they do not fall within the strict definition of co-operatives, most of the co-operative principles are enshrined in their constitution and all employee trusts have the potential to achieve full co-operative status.

Employee Trusts can be a practical training ground in business and participative skills and the extent to which employees are involved can be linked to the acquisition of business and participative experience amongst the workforce, if an increase in employee participation is desired.

5 Conclusions

- 5.1 We recommend, therefore, that the life of the Agency be extended beyond 1990 and that its remit be revised as follows:-

"The Agency shall promote the development of participation by employees in ownership of the enterprises in which they work."

- 5.2 The new Agency's primary aim would be to foster the growth of efficient businesses in which there is employee ownership and participation. It would maintain its close relationship with and support for all organisations concerned with the promotion of employee ownership (including co-operatives).

- 5.3 Since its inception, the CDA has made a significant contribution to the vitality of the co-operative and small business sector.

The analysis of the future needs of the sector, coupled with its achievements to date, leads the Board to believe, that there is a continuing worthwhile role for the CDA, as a publicly accountable national body, recognised by both Government and the co-operative movement. There is a strong case for changing the name of the CDA to something which reflects its wider promotional and support responsibility, e.g. **Partnership in Business (PIB)**.

- 5.4 The CDA has managed to extend and develop its role, as well as discharging its normal functions, despite the limitations of a tightly pre-determined budget, which has never been exceeded since the Agency was re-organised in 1982. Almost alone amongst the Quangos, it has attracted significant support from the private sector. This has been in both cash and kind, the latter coming mainly in the form of seconded staff.

- 5.5 The CDA's core activities do not, in the main, generate income. Taken in conjunction with the innovative nature of its research role, this means that the Agency cannot be financed by contributions from the private sector alone. To maintain the full range of the CDA's proposed work requires continued public funding.

- 5.6 The CDA is, nevertheless, aware of the desire to reduce Government funding over a period of years. It is proposing, therefore, that:-

5.6.1 Responsibility for maintaining CDA initiatives, which reach maturity, could be transferred to other existing organisations.

5.6.2 Public funding should be linked to the number of enterprises formed as a result of the CDA's activities in regeneration of inner cities and encouragement of job ownership. These results are measurable and would, therefore, allow the level of public funding to be set appropriately.

- 5.7 In calculating the cost structure of the Agency, account has been taken of the following other activities currently being undertaken by the CDA:-

5.7.1 Inner City Initiatives

These are arms-length contracts funded by the DTI. The Agency would bid for further work in this area but would expect to charge fees of about £15,000 p.a. for each contract. **No estimates of either costs or revenues from this source are included**, although the Agency has the capability of mounting further initiatives successfully.

5.7.2 Marketing Groups

This is a vital support activity for small businesses and is being sustained and developed by the CDA staff on their own, since the Agency has been unable to hand it over to the LEAs. It would fit into the Small Firms Service, if the LEAs cannot be persuaded to take it on, or could be run by the new Agency, as long as it was separately funded. Clearly smaller ESOPs would be potential members of marketing groups, in order to take advantage of the opportunities and obtain protection from the threats, which 1992 will bring.

Once again, no estimate of costs or revenue has been included.

5.7.3 Worker and other Co-operatives

Some 200 new co-operatives are registered under the CDA's model rules and enquiries are running at a rate of 2 - 3,000 per annum. To meet this demand and to cater for other co-operative support activity, it has been assumed in the estimates, that the resources needed will be concentrated in the Manchester branch office of the CDA.

The total cost will be £80,000 per annum but 50% of this is expected to be provided in cash by the consumer movement, leaving the Agency to meet the residual annual cost of £40,000 .

- 5.8** The Agency's total gross costs will be approximately £0.6 million per annum at 1988 values. Since the lead-time to establish an ESOP is up to two years, no appreciable revenue will come until the third year but by the sixth year the Agency will be in profit from its basic ESOP activity.

It is assumed that the private sector will contribute some resources, leaving the Agency with a net cost of £0.3 million per annum for five years - i.e. a total of £1.5 million at 1988 values. From the sixth year onwards the Agency should be self-financing.

- 5.9** Two very small private sector organisations have expressed their support for the Agency and its new role. The possibility of a merger is being explored.

Appendix

Employee Share Ownership Plans**Introduction**

ESOPs and employee trusts are already widely used in the US. Many other countries, including West Germany, the Netherlands and Sweden, have implemented similar methods of encouraging employees to acquire shares in the company for which they work. The CDA is, therefore, in a position to draw on experience in this area.

Over-generous tax concessions in the US led to a number of companies forming ESOPs purely for fiscal advantage. Despite this limited abuse of the concept, the American data shows the following significant results in terms of improved corporate performance.

A new study from the **National Center for Employee Ownership (NCEO)** established that, over a ten-year period, companies with ESOPs generated 46% more jobs and 40% greater sales growth than they would have without an employee share-ownership scheme.

The study covered 347 companies - 55 ESOP companies, each matched with 5 or more similar but non-ESOP enterprises. The NCEO collected performance data on these companies for a 15-year period from 1970-1985.

Previous studies had found that ESOP companies out-performed non-ESOP organisations but these studies were limited, because they looked at the companies only after they had set up ESOPs. The earlier research did not, therefore, answer the question of whether employee share-ownership caused better performance or whether, alternatively, companies which set up ESOPs were more successful in the first place. The NCEO study is the first to answer this question - by comparing pre- and post-ESOP performance.

In terms of employment, ESOP companies grew 5% p.a. faster than their competitors after establishing their plan, compared with only 1% p.a. faster before. In sales, ESOP companies grew 5% p.a. faster than their competitors after their scheme was set up, compared with only 2% p.a. faster before.

1 An ESOP or employee trust works as follows:-

A financial institution lends money to an employee trust, which in turn uses it to purchase new or existing equity. The company normally uses this injection of new equity in accordance with an agreed business plan. A proportion of the extra profits generated by the new equity is paid annually by the company into the trust, provided that certain agreed targets are achieved. Eventually the trust discharges its indebtedness and holds shares free of charge on behalf of the workforce.

2 A Trust normally has two phases:-

2.1 The first 5 years or whatever period during which the Trust remains in debt.

2.2 The period subsequent to this, which may be virtually indefinite.

3 When the Trust has discharged all its liabilities and moved into its second phase, new trustees can be nominated, because the institution no longer has any claim on the Trust and the company has fulfilled its agreement for the original Trust.

Depending on the success of the original ESOP, the Trust may continue to require occasional finance, in particular to bridge the passing of shares from one generation to the next.

- 4 All forms of ESOP work through a trust but, whereas every employee trust will fail within the same principles and parameters (as expressed by Corporate, Trust and Taxation law or by the needs of prudence and reasonable care), every trust is likely to be unique, because its detail will have to take into account the particular needs of the parties concerned.
- 5 To overcome the difficulties which can arise, when employees retire or resign or new workers join the labour force, special provision may be made, within an ESOP designed by Unity Trust, to cover the buying and selling of shares in accordance with a previously agreed formula.
- 6 The Trust would normally have three or four trustees, with the company, the employees and the financial institution electing one each and a fourth, neutral, trustee being appointed, who was acceptable to the other parties.

Where appropriate, the Trust might be invited to nominate a director to the Board of the company concerned. In those circumstances, the most suitable candidate would be someone, who, in the opinion of the Trust, could contribute most to the success of the company, whilst representing the interests of the beneficiaries.

7 Advantages for companies

There is no restriction on the kind of company which can benefit from an employee trust. It can be fully quoted, on the USM, an unquoted PLC, a private limited company or a new enterprise (formed, for example, to buy out all or part of an existing business).

The potential advantages for any company in establishing an employee trust, are that:-

It provides a tax efficient way of raising new capital (as opposed to borrowing more), to repay existing debts and reduce gearing or to buy out some or all of the holding of existing shareholders.

It involves all employees in share ownership of the company, in a simple, immediate and tax efficient way.

It establishes a relatively stable equity stake amongst employees, which, if large enough, could be decisive in the event of a threatened and unwanted take-over.

It helps to develop an ethos within the organisation, which is conducive to its development, expansion and continued success.

It can help to obtain from all employees (and, where appropriate, their elected representatives) full involvement in and commitment to an agreed development programme.

It makes it possible to secure such widespread involvement of employees simply and efficiently at the time, for example, of a buy-out.

Perceptive, modern-minded managers already appreciate the great reservoir of energy, ingenuity and commitment within the workforce. An ESOP provides the opportunity to tap this vast (but too often latent) potential.

8 Advantages for employees

The essential benefit for employees is that an ESOP gives them the opportunity to acquire shares in the company for which they work. It does so in a way which:-

Ensures that all employees own the shares on the same terms.

Safeguards their interests professionally, via a Trust to which they may elect a trustee.

Provides them with attractive tax concessions.

Allows them, in certain circumstances, not to pay for the shares which they acquire.

Enables them, via an assured internal market, to realise any capital gain on their shares, when they resign or retire.

Gives them and/or their elected trustees the right, either directly or through their elected trustees, to participate in the voting by shareholders of the company.

Provides, where appropriate, for the participation and commitment of their respective trade unions.

Gives them not only the risks and rewards of share ownership but also a direct influence on performance.

Offers them the opportunity, by helping the company to expand, to improve the prospects of job security for themselves and to create jobs for succeeding generations.



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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Handwritten notes in red and blue ink:
Clerk
WHL
November 27
(P.S. Where are the 500k?)

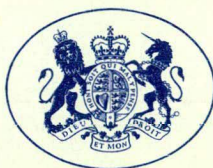
Handwritten signature in blue ink:
Dear Nigel.

THE CO-OPERATIVE DEVELOPMENT AGENCY (CDA)

I need to decide shortly the future of the Co-operative Development Agency, a non-departmental public body sponsored by my Department, and am writing to seek your endorsement of the action I propose.

The CDA was set up to promote and represent the co-operative movement. This was done under the Co-operative Development Agency Act 1978 which provided for Government grant support subject to an absolute ceiling. Under the Co-operative Development Agency and Industrial Development Act 1984 the ceiling was raised to £3m, which will be reached in 1991. We would need further primary legislation to raise this ceiling and thus keep the Agency in being. Alternatively it could be wound up by Order (affirmative resolution), following consultation with representatives of the co-operative movement.

It was envisaged in 1984 that the Agency would have become self-financing by now but a 1987 NDPB scrutiny confirmed the Department's view, and that of the Agency itself, that there is no realistic prospect of this happening. At John Cope's request, the Agency's Board considered the future and have now made proposals for a possible new future role for the Agency. They need to know the Government's decision as soon as possible to enable them to plan an effective operation for the next two years.



... The Board's report is attached. It proposes that there should be a new body, not necessarily set up on a statutory basis, but with secure Government funding of some £1.5m for six years. It would have a wider remit than now, its primary function being to promote the growth of employee share ownership generally, under a new name "Partnership in Business". In practice it would concentrate almost entirely on promoting and guiding the development of Employee Share Ownership Plans (ESOPs) for which it is advocating fiscal advantages. It would retain a small capacity to promote conventional worker co-operatives and would continue with other initiatives currently underway (inner city work and developing marketing groups) only if these were separately funded, at the same time encouraging other bodies to take them on.

There is already no shortage of bodies strongly advocating support for the development of ESOPs. They include the Institute of Directors, the Industrial Society, Job Ownership Ltd and a newly formed company, the ESOP Centre, which is funded by a number of financial groups and consultancies. All of these are advocating fiscal measures of one kind or another which seem to be the real key to the growth of ESOPs. Their representations are being considered, I understand, by the Inland Revenue and I can see no advantage in setting up a publicly funded body to lobby the Government.

I also see no reason to doubt the CDA's own assessment that its existing work can be carried out by others from 1991. These include the Industrial Common Ownership Movement which carries out much the same work on a larger scale and has made it clear that it sees the CDA as a competitor. This is not to say that work to promote co-operatives is unimportant. On the contrary I have every intention of giving support to the development of expertise on the subject by small firms advisory groups such as the Small Firms Service and Local Enterprise Agencies. The CDA has done good and effective work but its particular job has been done. Subject to your comments therefore I propose to wind it up by Order as provided for under the 1978 Act.

I should be grateful for a response within the next two weeks I would then propose to inform the CDA Board of my intention before consulting the co-operative movement more generally, as required by statute. I am copying this letter to Peter Walker, Nicholas Ridley, David Young, John MacGregor, Malcolm Rifkind and John Wakeham, and to Sir Robin Butler.

John Young

Norman Fowler

NORMAN FOWLER

mp

FROM: MARK CALL
DATE: 30 NOVEMBER 1988

CHANCELLOR

cc Chief Secretary
Paymaster General
Mr Anson
Mr Monck
Mr Burgner
Mr Turnbull
Mr Kalen

SX behind

THE CO-OPERATIVE DEVELOPMENT AGENCY

Mr Fowler's conclusion that there seems little justification for subsidising the lobbying process is hard to fault. His minute raises the nagging thought in my mind that there must be other such bodies whose "job is done". Is it time to take a finer toothcomb to the list of quangos?

Mc
MARK CALL
Ch
ESOPs

This page

Mr Call

cc PS / Chancellor
PS / CST
PS / IMG
N Anson
N Monck
N Burgner
N Kalen

By all means read out
be dead wood but don't
present the initiative as
an attack on quangos / agencies
generally. The Government makes
extensive use of such bodies where
they are useful eg Polytechnics,
Funding Councils, Housing Action Trusts,
Self governing hospitals, so do not
use concept but be individual cases
that need review.

BT
30/11

IR are putting a 75 page
paper to FST tomorrow.
We are arranging a meeting
for early next week to
take this + unit books.
(We are arranging a meeting
for later this week to
take PEPs).

Thatcher

5/12

503/11


CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

✓
3/12

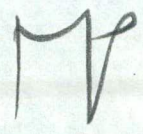
CH/EXCHEQUER	
REC.	-7 DEC 1988
ACTION	CST
COPIES TO	

The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Horse Guards Road
London SW1P 3AL
Telephone: 01 -270 5929

C88/5983

Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF



6 December 1988

Dear Norman,

THE CO-OPERATIVE DEVELOPMENT AGENCY (CDA)

I have received a copy of your letter of 27 November to Nigel Lawson about the future of the Agency.

I would support you in your proposal to dissolve the CDA. The case for restructuring the Agency is weak, since the new duties proposed by the CDA Board appear merely to duplicate activities already being carried out by a number of bodies outside Government. The lack of a distinctive remit would only increase the likelihood that the restructured body would develop into a publicly-funded pressure group. If the CDA has outlived its present functions, it is in line with Government policy on NDPBs that it should be wound up.

I note that you have power to dissolve the Agency by secondary legislation. One of the points made by the Prime Minister in her statement of 28 January announcing future NDPB policy was that legislation setting up new bodies should normally contain powers to permit winding up at a later date, if a fixed lifetime is not established at the outset. I would draw the attention of colleagues to the present instance, which offers a good example of the advantages to such a provision.

I am copying this reply to the recipients of your letter to Nigel Lawson.

RICHARD LUCE

Richard

There are more pps than this eg X
FROM: EDNA YOUNG also
DATE: 9 December 1988 note from M Call

*I put that in
that I was
control
or 26/11 - see
Fowler
letter*

- 1. MR BURR *9/12*
- 2. CHANCELLOR

- cc Chief Secretary
 - Financial Secretary
 - Paymaster General
 - Mr Anson
 - Mr Monck
 - Mr Burgner
 - Mr Turnbull
 - Mr Knight
 - Mr Neilson
 - Ms Roberts
 - Mr Call
- Where are they?*

Ch/ Sorry this has taken so long to get to you. Our papers went walkabout, unaccountably. If you are catered, I'd sign off u'g name, to save time. as we

*Have overshot Mr F's deadline
map*

THE CO-OPERATIVE DEVELOPMENT AGENCY

WKL

Mr Fowler wrote to you on 27 November seeking your endorsement of his proposal to wind up the Co-Operative Development Agency (CDA). Mr Luce wrote on 6 December to support the proposal.

Background

2. Mr Fowler's letter sets out the history of the CDA. This is based on a recent DE study of the CDA, which concluded that the CDA's existing work could be carried out by others. The CDA itself has reached the same conclusion, but recommends that it should instead be given a new remit of promoting the growth of employee share ownership, with secure Government funding of some £1.5 million for 6 years.

Discussion

3. As Mr Fowler points out, there are already a number of other bodies which advocate support for the development of ESOPs, and in particular fiscal advantages for them. The CDA's own proposals for the work it could undertake in this area do not appear to broaden the range of work already undertaken by these bodies. We would concur with Mr Fowler's view that there is no advantage in setting up a publicly funded body to lobby the Government, in effect for tax relief.

4. One related area to which the CDA report refers briefly, but on which it makes no recommendation, is profit-related pay. Unlike ESOPs, PRP has generated no significant lobby of its own. But to propose that the CDA should take up PRP rather than ESOPs would lead to the same anomalous situation of a publicly funded body lobbying for more tax relief.

5. Mr Fowler has asked for views by 12 December. I attach a draft reply concurring with Mr Fowler's view that the CDA should be wound up.

6. FIM agree.

Edna Young

EDNA YOUNG

DRAFT LETTER FROM THE CHANCELLOR TO:

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

pl type
final

THE CO-OPERATIVE DEVELOPMENT AGENCY (CDA)

Thank you for your letter of 27 November about the future of the Co-operative Development Agency.

2. Like you, I see no reason to doubt the CDA's own assessment that its existing work on the promotion of co-operatives can be carried out by others in future. As ^{for} ~~regards~~ the Agency's proposal that its remit should be broadened and that it should in future concentrate on promoting Employee Share Ownership Plans, there seems to be no reason for the Government to fund a body which would simply duplicate the promotional work already being undertaken by the private organisations you mention in your letter. I am therefore content with your proposal to wind up the CDA.

3. Copies of this letter go to Peter Walker, Nicholas Ridley, David Young, John MacGregor, Malcolm Rifkind, John Wakeham and Richard Luce, and to Sir Robin Butler.



pr

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

15 December 1988

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Mr Anson
Mr Monck
Mr Burgner
Mr Turnbull
Mr Burr
Mr Knight
Ms Young
Mr Neilson
Ms Roberts
Mr Call

Dear Secretary of State

THE CO-OPERATIVE DEVELOPMENT AGENCY (CDA)

Thank you for your letter of 27 November about the future of the Co-operative Development Agency.

Like you, I see no reason to doubt the CDA's own assessment that its existing work on the promotion of co-operatives can be carried out by others in future. As for the Agency's proposal that its remit should be broadened and that it should in future concentrate on promoting Employee Share Ownership Plans, there seems to be no reason for the Government to fund a body which would simply duplicate the promotional work already being undertaken by the private organisations you mention in your letter. I am therefore content with your proposal to wind up the CDA.

Copies of this letter go to Peter Walker, Nicholas Ridley, David Young, John MacGregor, Malcolm Rifkind, John Wakeham and Richard Luce, and to Sir Robin Butler.

Yours sincerely,

Muir Wallace

pp NIGEL LAWSON

(Approved by the Chancellor and signed in his absence.)



Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
Telephone 01-273 5804/5
Telex 915564 Fax 01-273 5821

Minister of State
The Rt Hon John Cope MP

CH/EXCHEQUER	
REC.	24 JAN 1989 ✓ 24/1
ACTION	MS Young
COPIES TO	CST, FST, PMG
	Mr ANSON, Mr MACK
	MR BUEGNER, MRS COMAN
	MR BURR, Mr KNIGHT
MR NEILSON, Ms ROBERTS	
MR CALL	

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

pwp

24 January 1989

Ch/Good
als

Dear Nigel

I am grateful for your letter of 15 December to Norman Fowler and for those of other colleagues on the question of the CDA's future. All the responses were in agreement with our view that the CDA's life should not be extended when the grant available to support it is used up. We shall now proceed to ... consultation on the proposal to wind it up. I enclose a copy of the Parliamentary Question which I will answer tomorrow.

I am copying this letter to Peter Walker, Nicholas Ridley, David Young, John MacGregor, Malcolm Rifkind, Richard Luce, John Wakeham and Sir Robin Butler.

John



DRAFT PQ FOR WRITTEN ANSWER

Question: To ask the Secretary of State for Employment if he will make a statement on the future of the Co-operative Development Agency.

Draft reply: The Co-operative Development Agency was set up in 1978, with the aim of promoting co-operative ventures and representing the interests of the co-operative movement. Since that time and with the help of the CDA, many co-operative support agencies have been established, offering advice and assistance to anyone wanting to start or develop a co-operative business.

The CDA was originally set up with a finite ceiling of financial support. Its life was extended under the 1984 Co-operative Development Agency and Industrial Development Act and the financial ceiling increased to £3 million. We estimate that this ceiling will be reached in the 1990/1991 financial year.

The CDA has done the job it was asked to do by Parliament and there is now a good national network of local co-operative development agencies. There is also a wider network including the Small Firms Service and local enterprise agencies able to offer business advice to small firms of all kinds; the local Training and Enterprise Councils announced in the White Paper 'Employment in the 1990s' will be asked to take account of the needs of all small and developing businesses in their localities including co-operatives.

We are therefore inviting comments from interested bodies on whether the Agency is still needed and on our proposal to bring it to an end. We will consider any comments carefully. If, after doing so, we conclude that the Agency should be wound up we will do so by order under the affirmative resolution procedure in accordance with the provisions of the 1984 Act.

21/89

25 January 1989

EMPLOYMENT MINISTER TO CONSULT ON FUTURE OF
CO-OPERATIVE DEVELOPMENT AGENCY

Employment Minister, John Cope today announced the Government's decision to consult about the future of the Co-operative Development Agency, a Government - supported public body. The Government is proposing that the life of the Agency should not be extended when the provision available to support it under present legislation is used up.

The CDA was set up under the 1978 Co-operative Development Agency Act. Its life was extended under the 1984 Co-operative Development Agency and Industrial Development Act and the financial ceiling raised to £3 million. That ceiling is likely to be reached in the financial year 1990/1991.

John Cope said "Since the Agency was set up in 1978 there has been considerable growth in the network of advice available to people wanting to set up or develop a co-operative business. We believe that advice to anyone thinking of setting up in business is best given at local level and we agree with the CDA's own conclusion that there is now a strong national network of local co-operative development agencies. There is also a wider network including the Small Firms Service and local enterprise agencies able to offer business advice to small firms of all kinds. We are therefore consulting about the need for the CDA to continue with its present role, and are seeking views on our proposal to bring it to an end."

"The CDA has done a good job and I have congratulated Ralph Woolf, its Chairman, and his staff for their hard work and for their achievements. Co-operatives have a valuable place in our enterprise economy and the Government will continue to support and promote them. We will expect the new Training and Enterprise Councils, which were announced by the Secretary of State Norman Fowler on 5 December to take account of the needs of all small and developing businesses in their localities, including co-operatives.

The Board of the CDA has recommended Government support for a wider future role for the Agency to enable it to promote Employee Share Ownership Plans (ESOPs). John Cope said of this "The Government strongly supports moves to involve staff directly in the economic success of their businesses and we have shown our support in eight of the last nine Budgets. There is no shortage of independent bodies interested and active in this field, however, and we do not therefore think it necessary to propose new legislation to Parliament to provide resources to a body to promote the development of ESOPs".

The Government is writing to organisations active in the co-operative world and inviting comments about its proposals by mid-March 1989.

NOTES TO EDITORS

The CDA was set up in 1978 under the Co-operative Development Agency Act and its life was extended by the 1984 Co-operative Development Agency and Industrial Development Act.. Its purpose is to promote the principles and practice of co-operative working in the UK and to be a representative body for the whole co-operative movement.

Representative bodies in the co-operative movement *is being* invited to send comments on the Government's proposals by *22* March; other organisations wishing to comment should do so by the same date.

Department of Employment
Room 702
Steel House
Tothill Street
LONDON SW1H 9NF
01-278 4908



Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
Telephone 01-273 5804/5
Telex 915564 Fax 01-273 5821

Minister of State
The Rt Hon John Cope MP

CH/EXCHEQUER	
REC.	06 JUL 1989
ACTION	MR FRAY
COPIES TO	CST, FST, PMG
	MR HANSON
	MR MONCK
	MR WILSON
	MR ODLING - SMEE
	MR BURR, MR HADJICHT
	MR WOODFIELD, MR STEVENS

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

July 1989

Dear Nigel

You may recall that I wrote to you on 24 January about our decision to proceed to formal consultation on a proposal to wind up the Co-operative Development Agency. I am writing now to let you and colleagues know that as a result of the consultation exercise we have concluded that there is no reason to alter our thinking on this issue.

We received comments from fourteen organisations. These are summarised in the attached annex. There is a significant measure of agreement with our proposal that the CDA should be wound up in 1990/91, particularly from organisations which consider that the Agency's activities overlap their own. Some of those against the proposal advocate continued Government sponsorship as a means of providing a strong central focus for co-operatives. I see no need, however, for Government to continue to provide for such a focus for the co-operative movement, which is independent, nor does it seem likely that a Government sponsored successor body would have any more success than the CDA has had in getting substantial tangible support from the co-operative movement. Those co-operative organisations in favour of retaining the CDA expressed no support for the CDA's own proposals to shift their emphasis to the employee share ownership field. Unless therefore you, or others to whom this letter is copied wish to discuss the matter further I propose to announce a decision shortly in the terms of the attached draft press notice and PQ. I would be grateful for a reaction by Friday 7 July.





A copy of this letter goes to Peter Walker, Nicholas Ridley,
David Young, John MacGregor, Malcolm Rifkind, Richard
Luce, John Wakeham and Sir Robin Butler

Tom
John

CONQUEROR



Minister
Content with attached drafts?

PS / MR COPE

cc Mrs Buley
Mr Hetherington o/r

CO-OPERATIVE DEVELOPMENT AGENCY

① letter to Woolf to await colleagues' reactions.

1 I attach a draft letter to Ministerial colleagues with enclosures (Summary of consultation , PQ and Press Notice) revised in the light of our meeting on Tuesday . I have discussed and agreed the revised text with Mrs Buley , on the basis that there is nothing we need to adapt as a result Mr Cope's meeting with Mr Woolf last night. I also attach a draft letter to Mr Woolf .

2 If Mr Cope is content the letter could now be sent on Friday or Monday , for an announcement on the following Monday 10 July . I will be in touch separately about briefing required at the time the announcement is made.

J. Hancock

② Date of announcement to be cleared with Sof's. & Barry Sutcliffe

MS DE HANCOCK
ETPA3/504/STEEL
x 4910

29 June 1989

Minister's meeting Monday

Jc.
2/7

CDA CONSULTATION EXERCISE - SUMMARY OF REPRESENTATIONS

	ORGANISATION	MAIN COMMENTS	POSITION ON CLOSURE
1	CO-OPERATIVE UNION	Doubt TECs will have any commitment to co-operatives . CDA's life should be extended with " reasonable" funding .	AGAINST
2	CO-OPERATIVE WHOLESALE SOCIETY	Risk that without central co-ordinating body national network of local CDAs will fragment. Sceptical that TECs will cater adequately for co-ops. Recommend continuation of CDA funded at present level.	AGAINST
	----- CWS (South East Political Committee) *	----- Central body still needed. Also needed to represent British worker co-ops in Europe. But if CDA abolished, the funding it receives should be given to other co-op bodies.	----- AGAINST
3	CO-OPERATIVE BANK	Winding up of CDA "political mistake" as, after 1992 continental co-ops able to acquire assets in UK based on privileged status in their own countries.	AGAINST
4	WEST MIDLANDS CO-OPERATIVE FINANCE LTD	CDA a useful channel of communication with central Government and a visible demonstration of Government support for co-ops.	AGAINST
	*	If closed , propose financial support for co-op projects and proportion of TEC funds to be earmarked for co-operatives.	

	ORGANISATION	MAIN COMMENTS	POSITION
5	NATIONAL FEDERATION OF HOUSING CO-OPS	Call for new, restructured CDA, to fulfil remit of 84 Act in representing interests of whole co-op movement. (But no value in retaining CDA in present form, or in new remit for promoting ESOPs)	AGAINST
6	CO-OPERATIVE PARTY	CDA gives co-ops status, esp with EEC; unrealistic to expect self sufficiency; network of local CDAs not strong enough; TECs will be inadequate; disagree that CDA's work complete; Govt should continue to fund it, consistent with its funding of other national agencies such as Housing Corporation, EOC etc. Willing to make proposals on future funding of central agency.	AGAINST
7	JOB OWNERSHIP LTD	Endorse CDA Board's proposal for publicly funded body whose function would be to promote employee share ownership.	AGAINST
8,9, 10	Scottish, Welsh and NI CDAs **	Local and regional bodies can absorb all of CDA's existing responsibilities. Propose two initiatives on venture capital & a business innovation centre.	AGREE
11	BIRMINGHAM CO-OPERATIVE DEVELOPMENT AGENCY *	Local CDAs best placed to provide advice at local level (but see need for Minister to continue to recognise and support ICCM as national independent voice for worker co-ops.)	AGREE

	ORGANISATION	MAIN COMMENTS	POSITION
12	INDUSTRIAL COMMON OWNERSHIP MOVEMENT LTD	State that they have no objection to winding up CDA. Main aim is to propose: - support for larger established co-operatives - resources, commitment and support for local CDAs - funding to support co-op development on a project basis - support to maximise the involvement of UK co-ops in planning for and developing within the Single European Market - taking over CDA's registration services - resources for maintaining and enhancing information and advice services - resources to provide comprehensive briefing and training for TECs and their staff on co-operatives.	AGREE
13	INDUSTRIAL COMMON OWNERSHIP FINANCE LTD	Support Government proposals but call for funding for ICOM and themselves, plus funding for co-op projects. Propose yearly co-op project budget administered by Department of Employment over a 5 year period.	AGREE
14	RURAL DEVELOPMENT COMMISSION	No specific services required by co-ops that cannot be provided by the existing large range of agencies.	AGREE

KEY

* Organisations not directly consulted , but which have made written representations.

** Scottish Co-operatives Development Committee, Wales Co-operative Development and Training Centre, and Northern Ireland Co-operative Development Agency , which made a joint submission.

To ask the Secretary of State for Employment what decisions have been reached on the future of the Co-operative Development Agency, and if he will make a statement.

Mr Cope: The ceiling of financial provision available to support the CDA under current legislation will be reached in 1990/91, and we have been considering whether there is a case for any further support.

The CDA itself considered the issue and proposed that it should become a body mainly devoted to the promotion of employee share ownership, particularly Employee Share Ownership Plans. It proposed that its existing role in providing a central forum for co-operative development should be drawn from and financed by those using it, and that much of its work to promote co-operative development could now be carried out by other organisations.

This Government is firmly in favour of measures to extend the financial participation of employees in their employing organisations but we see no need for public support for another body to promote ESOPs, when there are a number of private organisations interested and active in this field. The Government did, however, agree with the CDA's view that its original remit could now be carried out by other organisations. We therefore consulted relevant organisations in the co-operative movement seeking their comments on a proposal to wind up the CDA by the time its current grant ceiling is reached.

DEBAAE

Fourteen organisations commented . A number were opposed to closure , largely on the grounds that the CDA should continue to provide a central focus for co-operative development ; others pointed to the overlap between the CDA's work and their own . Careful consideration of all of the comments made has confirmed our view that the work of the CDA has now reached the stage where it can be carried on by the well-established network of local agencies and other business support bodies , including the new Training and Enterprise Councils which will include co-operatives as well as other forms of business in their plans for enterprise support . We do not consider that co-operative organisations need a Government sponsored body to co-ordinate or represent them or to take on new functions .

Our decision is therefore that the Agency's life should not be extended when current funding runs out. We propose to wind up the Agency by order, under the affirmative resolution procedure, during the next Parliamentary session . The Government will continue to take a keen interest in co-operatives , which we see as one expression of the fast developing enterprise culture in Britain .

I would like to express my appreciation to the Chairman , Director, Board and staff of the CDA for the enthusiasm and commitment they have shown. They have achieved a good deal over the past eleven years and deserve credit for a job well done .

DEBAAE

CDA ANNOUNCEMENT - DRAFT PRESS NOTICE

EMPLOYMENT MINISTER ANNOUNCES DECISION TO CLOSE THE
CO-OPERATIVE DEVELOPMENT AGENCY

Employment Minister John Cope today announced to the House of Commons the Government's decision not to extend the life of the Co-operative Development Agency when the current funding available to support it runs out. The Government intends to introduce an order later in 1989 providing for the Agency to close the following year.

Mr Cope said " The ceiling of financial provision available to support the CDA under current legislation will be reached in 1990/91 , and we have been considering whether there is a case for any further support.

The CDA itself considered the issue and proposed that it should become a body mainly devoted to the promotion of employee share ownership , particularly Employee Share Ownership Plans (ESOPs). It proposed that its existing role in providing a central forum for co-operative development should be drawn from and financed by those using it , and that much of its work to promote co-operative development could now be carried on by other organisations.

This Government is firmly in favour of measures to extend the financial participation of employees in their employing organisations , but we see no need for public support for another body to promote ESOPs , when there are a number of private organisations interested and active in this field .The Government did, however , agree with the CDA's view that its

original remit could now be carried on by other organisations. We therefore consulted relevant organisations in the co-operative movement seeking their comments on a proposal to wind up the Agency by the time its current grant ceiling is reached.

Fourteen organisations commented . A number were opposed to closure , largely on the grounds that the CDA should continue to provide a central focus for co-operative development; others pointed to the overlap between the CDA's work and their own . Careful consideration of all the comments made has confirmed our view that the work of the CDA has now reached the stage where it can be carried on by the well established network of local agencies and other business support bodies , including the new Training and Enterprise Councils which will include co-operatives as well as other forms of small business in their plans for enterprise support. We do not consider that co-operative organisations need a Government sponsored body to co-ordinate or represent them or to take on new functions.

Our decision is therefore that the Agency's life will not be extended when current funding runs out . We propose to wind up the Agency by order , under the affirmative resolution procedure during the next Parliamentary session. Th^e Government will continue to take a keen interest in co-operatives , which we see as one expression of the fast developing enterprise culture in Britain.

I would like to express my appreciation to all those at the CDA - its Chairman , Director , Board and staff - for the enthusiasm and commitment they have shown . They have achieved

a good deal over the past eleven years and deserve credit for a job well done.

UNCLASSIFIED

FROM: G MCKENZIE
 DATE: 7 July 1989
 x4452

1. MR KALEN
 2. MR BURR
 3. CHANCELLOR

cc

Chief Secretary
 Financial Secretary
 Paymaster General
 Mr Anson
 Mr Monck
 Mr Wilson
 Mrs Lomax
 Mr N Knight
 Mr Fray
 Mr Call

BSK 7 July 1989
 JB 7/7.
 CW/ DE has asked if you would
 clear their proposed announce-
 ment by close today.
 OK?

OK (handwritten initials)

THE CO-OPERATIVE DEVELOPMENT AGENCY (CDA)

Mr Fowler wrote to you on 4 July informing you of results of the consultation exercise regarding the future of the Co-operative Development Agency (CDA) and seeking your views on the proposed draft Press Notice and PQ announcing the demise of the CDA.

2. The CDA was set up to promote and represent the co-operative movement. It was envisaged in 1984 that the Agency would have become self-financing by now but a non-departmental public body scrutiny in 1987 confirmed the Department of Employment's view, and that of the Agency itself, that there is no realistic prospect of this happening. Mr Fowler wrote to you in November seeking your endorsement of his proposal to wind up the CDA which would allow them to concentrate on the promotion of Employee Scheme Ownership Plans (ESOPS).

3. Your letter of 15 December to Mr Fowler gave agreement to the winding up of the CDA. There is no reason, following the consultation exercise, for retaining Government support for the CDA. Therefore, we recommend that you support Mr Fowler's proposal and agree to the draft Press Notice and PQ as drafted.

4. Mr Fowler's letter does not address the issue of expenditure savings resulting from the winding up of the CDA. However, these are negligible and we do not think it worth raising this point with Mr Fowler.

5. I attach a draft letter for you to send to Mr Fowler.

G McKenzie
 G MCKENZIE

UNCLASSIFIED

DRAFT LETTER FOR THE CHANCELLOR'S SIGNATURE TO:

The Rt Hon Norman Fowler MP
Secretary of State for Employment

THE CO-OPERATIVE DEVELOPMENT AGENCY (CDA)

Thank you for your letter of 4 July. I was ~~most~~ grateful to you for showing me the comments you have received following your consultation exercise on the future of the Co-operative Development Agency (CDA).

It is clear from the comments that you have received that the consensus is to wind up the CDA in 1990-91. I am happy for you to announce the winding up of the CDA in the terms of the draft Press Notice and PQ attached to your letter.

I am copying this letter to Peter ^{Walker} ~~Brooke~~, Nicholas Ridley, David Young, John McGregor, Malcom Rifkind, Richard Luce, John Wakeham and Sir Robin Butler.

Wrong Peter

N L

+ copy list
+ envelopes



mp

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 July 1989

The Rt Hon John Cope MP
Minister of State
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

cc: Chief Secretary
Financial Secretary
Paymaster General
Mr Anson
Mr Monck
Mr Wilson
Mrs Lomax
Mr Kalen
Mr Burr
Mr N Knight
Mr Fray
Mr McKenzie

Dear Minister,

THE CO-OPERATIVE DEVELOPMENT AGENCY (CDA)

Thank you for your letter of 4 July. I was grateful to you for showing me the comments you have received following your consultation exercise on the future of the Co-operative Development Agency (CDA).

It is clear from the comments that you have received that the consensus is to wind up the CDA in 1990-91. I am happy for you to announce the winding up in the terms of the draft Press Notice and PQ attached to your letter.

I am copying this letter to Peter Walker, Nicholas Ridley, David Young, John MacGregor, Malcolm Rifkind, Richard Luce, John Wakeham and Sir Robin Butler.

Duncan Sparkes

p.p. NIGEL LAWSON

*[Approved by the Chancellor
and signed on his behalf]*