

confidential filing

Operation Enterprise.

ECONOMIC POLICY

March 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3-3-81							
9-3-81							
<p>PREM 19/449</p>							



10 DOWNING STREET

~~Tim~~ Thank you T.

A copy of your letter on Operation Enterprise was sent to Defence by mistake. I have sent a copy to C.D.L.'s office as was originally intended and M.O.D. have been asked to destroy their copy.

Garden Room have been reminded that Ryan is no longer in M.O.D.

Judy Conker
Duty Clerk



10 DOWNING STREET

CF

Pls check that
circulation of his letter
was correct. Norbury
sounds wrong - if
so, pls. tell SA that
Pym is no longer
at MOD!

TJ

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R H



BLIND CC: Mr Vereker
Mr Hoskyns
Mr Wolfson

cc: pd

10 DOWNING STREET

From the Private Secretary

9 March, 1981

Am TH.

An Enterprise Campaign

The Prime Minister had a word with the Chancellor last week about his minute of 3 March concerning the proposed Enterprise Campaign. As you will see from the separate letter which I have written of today's date in response to Mr MacGregor's minute of 6 March, the Prime Minister has doubts about the Department of Industry's proposals for changing the organisation for assisting small firms. But she agreed with the Chancellor that it would be worthwhile having a campaign to publicise the tax reliefs and other assistance available to small firms and that Ministers would have an important role to play in this in speeches round the country. She also agreed to give publicity to the campaign in her speech on Wednesday at the Mansion House at the lunch for the Guardian's Young Businessman of the Year Award.

I am sending copies of this letter to Ian Ellison (Department of Industry), Brian Norbury (Ministry of Defence), Richard Dykes (Department of Employment), David Edmonds (Department of the Environment) Anthony Willis (Mr MacGregor's Office, Department of Industry).

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To be

A J Wiggins, Esq
HM Treasury

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Econ. PA

R H



B/C Mr Vereker
Mr Hoskyns
Mr Wolfson

10 DOWNING STREET

From the Private Secretary

9 March, 1981

Dear Antony.

The Prime Minister has considered Mr MacGregor's minute of 6 March in which he put forward several proposals concerning the organisation of Government for helping small firms.

The Prime Minister is not happy with these proposals. She is doubtful whether they will lead to greater efficiency, and she suspects they will result in more rather than fewer people being employed. In any event, she considers that further thought needs to be given to the proposals before there can be any question of their being announced.

I am sending copies of this letter to John Wiggins (HM Treasury), David Edmonds (Department of the Environment), Brian Norbury (Ministry of Defence), Geoffrey Robson (Scottish Office), John Craig (Welsh Office), Jim Buckley (Lord President's Office) and David Wright (Cabinet Office).

~~~~~

T. H.

A C S Willis, Esq  
Department of Industry

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*cc to be done No - please do not go ahead Prime Minister without further thought. The Chancellor mentioned this to you in passing. The proposals are fairly significant - they involve ~~legislation~~ legislation, a new small firms organisation, and a new Ministerial Committee. They want to announce on Tuesday. This has come v. short notice: I think you will want to talk to Sir Keith after Ex Committee on Monday.*

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*I am very suspicious of this proposed change. It will not be more efficient - it will just employ more people*

Flay A

PRIME MINISTER

Geoffrey Howe wrote to you on 3 March about an enterprise campaign and mentioned his hope that it might be possible to announce in the budget some form of partnership between the various Government advisory services to small firms. I am writing in the absence of Keith, who has been closely involved in our deliberations.

2 We have been discussing what might be possible in this area with Michael Heseltine and we have concluded that it is possible to bring services offered by the Department of Industry through the Small Firms Service and those offered by the Council for Small Industries in Rural Areas (COSIRA) together in a partnership which would eventually lead to a single unified public service organisation. The attached draft press notice gives an outline of what is proposed.

3 At present the Small Firms Service of the Department of Industry offers small firms throughout England an information and a business counselling service, while COSIRA provides for small firms with up to 20 employees in rural areas of England a business advisory service together with other services. There has been some considerable criticism of the duplication of

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services to small firms and a bringing together of these two services would be a first step along the road to meeting this criticism and developing the service. Michael, Keith and I have a strong preference for the services to be provided by a non-Civil Service organisation and this will require legislation. The Development Commission, of which COSIRA is a subsidiary, could provide a basis for the new service but in its existing form would not be suitable. Thus legislation will be required to reconstitute it and to furnish it with the appropriate powers. We appreciate that legislation cannot be introduced quickly and steps would need to be taken in the interim to bring about better coordination between the two small firms services.

4 In trying to devise a structure for the new organisation we have been very conscious of the need to satisfy two objectives which are not mutually compatible. On the one hand there is the rural lobby who will view any merger of the Development Commission and COSIRA with other organisations as an indication of a diminution in the Government's commitment to preserving the rural areas, while on the other there is the small firms lobby who would view the Development Commission in its existing form as being quite inappropriate to provide services to small firms throughout the country. Thus we have tried to walk a very narrow tightrope between these two objectives and at the same



time to pave the way for a new organisation which can carry forward our policy of giving every encouragement to the creation and support of small firms.

5 While in due course a new organisation would be created, it would not in practice be an additional public sector agency, since it would evolve from the Development Commission. No additional funding should be required beyond the modest extra provision already earmarked for the extension of the Small Firms Service and there would be no reduction in the services available in rural areas. But we do need your agreement and that of colleagues to the commitment to legislate as soon as practicable, for the change in Ministerial responsibility for the Development Commission that would be involved, and the establishment of a new Ministerial Committee whose existence would be made public.

*No - this is contrary to charge with efficiency. The former does not mean the latter.*

6 In addition, I would be grateful for your agreement to the changes that will be necessary in the size and structure of the Development Commission to enable us to develop an organisation which will be able to meet the needs of a population of 1.3 million small firms as opposed to the 20,000 in COSIRA's present catchment area.

7 Since Geoffrey Howe would like to make a preliminary announcement of these changes in his Budget Speech, the matter





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is I am afraid very urgent and your early views would be appreciated.

8 I am copying this minute to Geoffrey Howe, Michael Heseltine, Francis Pym, Jim Prior, George Younger, Nicholas Edwards and Christopher Soames, and to Sir Robert Armstrong.

AW

JP

J M

6 March 1981

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DRAFT

PRESS RELEASE

The Government is determined to give every encouragement to the creation and support of small firms.

The Chancellor of the Exchequer has announced a range of new initiatives to add to those already available that provide the necessary incentives.

It is the Government's intention to create a unified public service organisation reporting to the Secretary of State for Industry which will have responsibility for business advisory and related services for small firms throughout England.

At the moment these services are divided between the Small Firms Service run by the Department of Industry and COSIRA which is a wholly owned subsidiary of the Development Commission which is sponsored by the Department of the Environment.

Much valuable work has been done but this fragmentation of effort and resources is inconsistent with the priority that the Government want and attach to this important field. The Government will coordinate the strengths of both the Small Firms Service and COSIRA in one organisation and strengthen the total effort with the minimum of administrative change.



There is no administrative vehicle currently available capable of taking on this task. The Development Commission in its existing form would not be suitable: but re-constituted and with appropriate powers it could provide the basis for the new service. Legislation will be introduced to effect this as soon as possible. In the meantime measures will be taken by John MacGregor MP, the Minister with special responsibility for Small Firms, and Nigel Vinson, MVO, the Chairman of the Development Commission, to bring about better coordination of the existing small firms services and the expertise available therein.

There will also be a new Committee of all the Ministers concerned with the promotion of an effective and vigorous small firms sector, under the Chairmanship of the Department of Industry. In addition to coordinating policy for the small firms sector as a whole, this Ministerial Committee will oversee the coordination of the two services.

The Development Commission and COSIRA play an important role in the encouragement of small business in the countryside. This work must be preserved. The Secretary of State for the Environment will be a member of the new Committee of Ministers, and there will be no diminution in the range and standard of services provided by the Development Commission and COSIRA in the rural areas. The budget for rural areas will remain the responsibility of the Department of the Environment.



3

The Small Firms Service will receive an increase in resources (of about £1 million in 1981/82). In addition, arrangements will be considered for the Service to be associated with similar activities under the urban programme and also for it and COSIRA to be associated with the new Community Enterprise Programme being introduced by the MSC.

Department of Industry

6<sup>th</sup> March 1981



10 DOWNING STREET

Dear Mr. [unclear]

The Chancellor will want  
to discuss his budget  
presentation and the handling  
of the pre-budget Cabinet.

You might also have  
a word about the  
attached minutes on the  
proposed "Enterprise Campaign",  
and the Home's letter on  
the energy concessions (Fly A)

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3/3

*Am. Note* **A**

*cc Mr. Vickers  
Mr. Hodgson  
Mr. Walker*



*12  
37*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

AN ENTERPRISE CAMPAIGN

My Budget Statement will, as you know, include a strong enterprise theme, with a substantial package of measures aimed at small firms and, in particular, at encouraging business start-ups. The major item in the package will be an entirely new tax relief for individuals who invest directly in new, small companies; this is the Aunt Agatha scheme which has been developed in the FASE Group, and which I propose to call the Business Start-Up Scheme.

*New Business Scheme?*

2. With last year's enterprise measures, we will have created a powerful battery of tax incentives both for entrepreneurs and for investors of venture capital. There have also been important relaxations in employment and planning regulations, many of which are especially helpful to the smaller business.

3. I am concerned, however, that the progress we have made in changing the environment - fiscal and otherwise - for small business should be better understood in the country. I have discussed this with Keith Joseph, Jim Prior and Michael Heseltine, and we are agreed that the Budget, with the new measures I shall be introducing, would be the right moment to announce the launch of a programme to publicise the enterprise message. John MacGregor has set up a Task Force, which includes John Cope, Brendon Sewill and Michael Dobbs, to plan the details.

4. What we have in mind is as follows:



(i) A campaign - which might be known as Operation Enterprise - should be announced in the Budget Speech.

(ii) We shall follow this up with a series of meetings around the country with small businessmen, bodies such as local Chambers of Commerce and professional advisers (including bankers, accountants and solicitors) to explain in more detail the incentives and opportunities now available. I would also propose to hold one or two receptions for key people in this field at No.11.

(iii) We also need to encourage more people to think in terms of a business of their own; we should aim at people at present in employment, as well as those who have, for example, been made redundant. John MacGregor is arranging for the publication of an entirely new range of leaflets, as soon as possible, which will provide a simple explanation, for the budding businessman, of such things as tax incentives, methods of raising finance and how to obtain premises. These will be additional to more detailed literature intended for the professional adviser.

(iv) Keith and Michael have examined the advisory services which Government at present provide for small firms, and they are considering the possibility of establishing a new Small Enterprise Council, which would bring together the services provided in England by the Council for Small Industries in Rural Areas (COSIRA) and the small firms service of the Department of Industry.



5. I believe a programme along these lines will provide a real impetus for our small firms policy, and I hope you will feel able to endorse it. I would propose to mention the campaign at the pre-Budget Cabinet, and encourage other colleagues to support it in every way possible.

6. Finally, I understand you are presenting the Guardian's Young Businessman of the Year Award at the Mansion House on the day after the Budget. It would be enormously helpful, in terms of publicity, if you felt able to give the campaign a fair wind in the course of your speech. Meanwhile if, you have any points you wish to raise on all this, perhaps we could have a word some time later this week.

7. I am sending copies of this minute to Keith Joseph, Francis Pym, Jim Prior, Michael Heseltine and John MacGregor.

R. T. G. G. G.

, for,

(G.H.)

3<sup>rd</sup> March 1981

(Approved by the Chancellor  
and signed in his  
absence)



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~~for Chris Foster notes~~  
~~summary~~

6000 PD

MR. LANKESTER

operation Enterprise  
The Enterprise Package

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..  
Bakery for  
mtg

Peter Cropper and Clive Cawlett from the Treasury came in to see me yesterday afternoon to discuss the enterprise package. They outlined the scheme, and asked what sort of push we could give it.

I said that the first stage was to have it put properly to the Prime Minister, which the Chancellor is likely to do tomorrow. On the understanding that she approved both the ingredients and the idea that there should be something of a campaign to launch it, I made the following comments:

1. On the basis of the contents as described to me I thought it would launch itself. The media will give it considerable prominence without Ministers having to go round the place drawing attention to it.
2. Not all the comment is going to be favourable: some will see it as a form of tax relief for the very rich, and others will say that it shows that the Government is clutching at straws in the face of massive unemployment.
3. I could certainly <sup>arrange</sup> ~~make~~ for Ministers generally to be encouraged to follow up the Chancellor's announcement by including favourable references to the enterprise package in suitable speeches in the provinces. It would be helpful if the Prime Minister were, for instance in Cabinet next Tuesday, to say that she attached importance to Ministers doing that. But given that the message would be addressed primarily to those who might be interested in the starting of new businesses, rather than to the general public, it would probably be more appropriate for this effort to be co-ordinated in the Department of Industry, and linked to a series of discussions between Ministers and local Chambers of Commerce.

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4. Our experience from the pay campaign was that as soon as the press realised that Ministers were all starting to convey much the same message, they lost interest, except in the case of the Prime Minister and perhaps the Chancellor. So not too much value should be attached to the efforts of Junior Ministers making speeches about the enterprise package, compared with its being given a strong launch by the Chancellor and the Prime Minister.

5. It so happened that the Prime Minister would be making a short speech the day after Budget Day, at the Guardian Young Businessman of the Year lunch at the Mansion House, which might be appropriate, if she agreed, for a first plug for the scheme.

Perhaps we can have a word about all this when the Chancellor's recommendation arrives?



J.M.M. Vereker

3 March 1981

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