



THE SMALL
BUSINESS
BUREAU

32 Smith Square London SW1P 3HH tel 01-222 9000

23rd December, 1981.

D. Howe, Esq.,
Political Secretary,
Prime Minister's Office,
10 Downing Street,
London SW1.

Dear Mr. Howe,

I refer to your recent telephone conversation with me when you asked us to provide a brief for the Prime Minister who was having a meeting with the NFSE in the new year. I have pleasure in enclosing the brief herewith and apologise for the slight delay. If there is anything further that we can do to assist please do not hesitate to contact me.

Yours sincerely,

Irene Jeffery
Administrative Secretary

/IJ
Encs.

Chairman Michael Grylls MP ~~Chief Executive Geoffrey Lane~~

SMALL BUSINESS BUREAU BRIEF FOR THE PRIME MINISTER

Points to stress

General

1. For too long in this country the interests of small firms have been ignored in the belief that the promotion and development of large firms in the modern economy is for the benefit of industry as a whole and the country in general.
2. Small businesses share of economic activity in the UK has been in long term decline for at least 40 years and this decline has gone significantly further in the UK than in the countries of our major industrialised competitors.
3. The decline in the UK small business sector has been matched by increased economic concentration which is now a major obstacle to the creation of an economic climate in which smaller independent businesses can survive, thrive and prosper.
4. This restricts the opportunity for the creation of new wealth and new employment to replace the slimming down of workforces which is taking place in many of our major corporations.
5. However, a start has now been made to redress the balance and the present Government has paid particular attention to the small firms sector over the last 2½ years. Over 70 measures have been taken. The Government sees the small firms sector as having a vital role in the regeneration of the economy and as a continuing source of strength and innovation.
6. It is no exaggeration to say that the prospects for employment as well as for economic growth rest to a considerable extent in the hands of the proprietors of smaller firms. They will not instantly create the national wealth, absorb the unemployment or solve the problems of innovation but they will make a considerable contribution in each of these areas.
7. Although it is important to raise the formation rate of wholly new firms, this will not have a significant impact in the short term in the creation of new jobs. The majority of new jobs are created by the growth of existing small firms.
8. Our policies, therefore, have been designed not only to encourage the creation of new businesses but also to give encouragement to the successful small firm with a capacity to expand in order to try and accelerate this process.

Specific

In the recent debate (13th November, 1981) on small businesses in the Commons, David Steel commented as follows:-

"Mr. Dexter, Chairman of the National Federation of Self-Employed and Small Businesses, said to me the other day that he thought that the Lib-Lab pact in its short existence brought about as many changes to help small business as this Government have in 2½ years. He also said that the Government have not realised what small business really is, because most of the Government's measures have basically assisted

the middle and top end of the small business sector, and not the self-employed, the sole proprietors or the partnerships, and it is these people who are perhaps struggling most in the present economic climate."

9. In the light of these comments it might be better to stress some of the less well known measures taken by the present Government and which are of general help to very small firms.
 - (1) Planning - the whole system has been speeded up; limited extensions can now be made of premises without permission, some flexibility between light industrial and warehouse use has been introduced in respect of smaller businesses and the recent circular on development control has emphasised the importance of doing everything possible constructively to meet the needs of small firms.
 - (2) Employment legislation - new employees for firms employing up to 20 people do not obtain the protection of the legislation until they have been in employment for 2 years. Secondly, very small firms employing up to 5 people are no longer obliged to reinstate a former employee following maternity leave.
 - (3) Disclosure of accounting information - the 1981 Companies Act has resulted in a significant reduction in the amount of accounting information which has to be filed by small companies and therefore is available for competitors. In this context the profit and loss account and directors' report for such companies will only have to be distributed to shareholders and will not be available to third parties.
 - (4) The Small Firms Advisory Services have experienced a substantial increase in demand in recent months. The number of enquiries are over twice those of a year ago. The same applies to counselling cases. This is a highly cost effective and practical way of providing a business management advisory service for very small firms.
 - (5) Industrial tribunals are now obliged to take into account the size and resources of the employer, will now decide whether or not an employer acted reasonably so removing from him the onus of demonstrating that he did, and may award costs against persons mounting frivolous and unreasonable claims.
10. Small firms' organisations, like the NFSE, are rapidly becoming an important part of our economic scene. John MacGregor places great importance on the regular constructive discussions which he has with these organisations and he is highly appreciative of their efforts to examine legislative and other Government proposals and to represent their members views on the likely impact. This is a continuing developing dialogue which with sustained effort on both sides will become even more constructive and worthwhile.
11. At the same time the present Business Opportunities Programme, which the Prime Minister launched in May 1981, has given us the opportunity not only to bring to the attention of the country at large all that we have been trying to do for small businesses but also to obtain their reactions. This is a unique method of communication with small firms by engaging directly in discussions with the small business community and by obtaining a direct feedback. By the end of February 1982 there will have been 14 major regional conferences and nearly 70 smaller meetings. This

will mean that we shall have made direct contact specifically with over 6,000 small businessmen and their advisers through the Business Opportunities Programme.

12. An excellent example of prolonged genuine consultation with small firms has taken place over the past year or so in connection with the proposals that employers should pay the first 8 weeks of statutory sick pay. Not only has this resulted in our being able to move to the 100% self-deduction method, much favoured by small firms' organisations, but the Government has been able to achieve its object of reducing significantly the number of civil servants who operate the present scheme and of bringing sick pay into charge to income tax where appropriate.
13. More recently, following representations made to us during the 1981 Finance Bill debate, we have now issued a consultative document relating to the taxation of agency companies which reflects the views of small firms organisations and hopefully will enable us to move to an agreed solution in this area for the 1982 Finance Bill.
14. We have also responded, as we promised we would, to two particular areas of concern to small firms and the self-employed:-
 - (1) We issued a consultative document on national insurance and the self-employed, to which your own organisation responded in depth, and we are now considering all the responses which we have received.
 - (2) We have set up an enquiry, which is currently considering evidence, into the enforcement powers of the Inland Revenue and the Customs & Excise. I realise that this is a matter which is of great concern to you and that you have taken the opportunity to provide the enquiry with a significant amount of evidence and recommendations. I look forward to reading the report of the enquiry in due course.
15. You will be interested to know of two recent initiatives which should be of benefit to small firms:-
 - (1) John MacGregor has set in motion a review of small firms' services and public purchasing to see whether there are any obstacles which might hinder small firms competing for public contracts. This follows on from the booklet which has been published in the small firms service series explaining what the major Government purchasing departments buy, the procedures involved and, above all, giving a single contact point in each department for small firms.
 - (2) Many small firms would like to see the exemption from VAT lifted from the present threshold of £15,000. Regretably, under present EEC regulations it is only possible to raise this threshold in line with inflation. Our own threshold level is higher than those of at least four of our European partners, including West Germany, and at present we are unable to persuade our European partners of the need for a significant increase in the threshold. However, Michael Grylls, who is one of our leading backbench small business MPs as well as being the Chairman of our backbench Industry Committee, and Fred Tuckman, our leading small business MEP, will shortly be convening a small working party under the

Q. Wages Cels. Would you abolish them?

A.M. NSR planning to do so.

Q. Increased wages over last 2y.

Answer: Increasing up from 12 1/2% to almost 50%
Ret. and Allied Trades
TU. + Emp. Ind. prof. have no idea about business

P.M. State your point

Q. Miller C. + E. firm
VAT reg. under £100,000
NIR on NEEO or Govt inquiries

A. No Incentive on NEEO
1 on Kill inquiry
1 on Megan.

Q. Govt concept of small too big.

A. He will have to look at definition

J.M.G. More consultation at all levels

Q. ~~Identify~~ ~~Plan~~ ~~Identify~~ cards for self. emp. bds
Why extend them.

A. Short ans. NO.

J.M.G. 71% consultation. Prod. of argument.

Q. A. J. J. J.

What is future of N at 2m
Reduce class 1. + put first 8 weeks on employees.

Q. Not impressed. By Govt's 70 measures.

Could we put a different 70 suggestions.

chairmanship of a lawyer and containing one representative each from four small firms' organisations, to examine the methods used in certain EEC countries to avoid the preparation of detailed VAT records by very small firms which are above the VAT threshold. I know that Michael Gyrlls and Fred Tuckman will be writing to your Chairman to invite the NFSE to provide one of the members of this working party.

16. Let me commend to you the young workers' scheme which came into operation on 4th January, 1982. Under this scheme, firms may obtain grants of £15 weekly for a year for new employees or school leavers or young people under the age of 18 in certain circumstances if their gross wages are £40 weekly or less, with corresponding provisions up to £45 weekly. I believe that this scheme will greatly help small firms and I very much hope that they will take the maximum advantage of it.

Matters best ignored

17. Any detailed comment about Value Added Tax.
18. The impact of the current level of inflation in the public sector on the costs of small firms.
19. The current rating system and the amount of local government revenue raised from commerce and industry without any reference to ability to pay.
20. Wages Councils and minimum levels of pay.

BB/IJ
23.12.81

Widest cross-section of small businesses
Support policy for country to live within its means.
Admin. P.M.'s courage

Defending an army of free democracy.

No better position now legislatively, nor commercially, possible
since this Govt came to power.

Bureaucratic control not loosened.

Vulnerable to attack of militant unionists

~~Group 100~~

Spirits flagging.

P.M.

Oil \$14 barrel. Iran. → \$34 under 2g. Put world into recession

Govt. wd much worse today if we hadn't
pursued sound policies

No business can run on a deficit year in, year out.

3 yr Lab v 3 yr Con. Paying off last debts.

Britain's image higher today as a solvent nation

We must keep in step with output

Commonwealth basis, is Govt policy.

Industrial muscle at cost of pensions + welfare grants.

T.U.S. One Act. Another Bill. If we read more we will do more

Pub. spending. More people demanded more spending,
the only source of wealth is other people.

People are taxed enough.

People want more Govt efficiency.

Manors, doctors, dentists.

Clerys catch-up towards

Provisionary. (million from gone already. Simplified

lowest C.S for 14g : 50 thousand down.

Std rate down to 3g.

N.I.HI contrib. up but not for self-employed, so much

Ref. sick. Invalidity benefits. Pay At 700 Gp. basis. NST funded.

Private sector has had to compete to survive

But public sector had to continue to run.

Bus. rates in Green Paper

Energy. same as on Continent

70% elec for coal. Cost up, elec up.

Govt pres looked on commercial + wild cards. 3 other bases 3p
Trigs 14/17p.

Both bus monopoly.

Large surge of members to help self-emp + small businesses

Helps, young unemployed.

Tricky people out of jobs not by their own wage claims