



# Association of Independent Businesses

(formerly the Smaller Businesses Association)

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**President:** Patrick de Laszlo

The Rt. Hon. Margaret Thatcher MP,  
The Prime Minister,  
10, Downing Street,  
London.

R2113  
20<sup>th</sup> March 1980

*Dear Prime Minister*

In our Budget submission to the Chancellor and subsequent meeting with Lord Cockfield we put forward taxation proposals which we considered necessary to encourage the formation and growth of independent business by making equity finance more available. While there are necessary we recognise that this cannot be an easy Budget.

Therefore, in the light of our discussions with Lord Cockfield and a more recent meeting with Michael Shersby MP, we urge you to consider the fiscal arrangements required to promote the development of Small Firm Investment Companies as recommended by the Wilson Committee and the need to provide for a Government backed loan guarantee scheme which we see as a short term substitute for improving equity availability. The AIB's published proposals on the latter incorporate a mutual insurance element and do not, therefore, require a large Government commitment. Nevertheless a lead from the Government is required to promote such schemes, and to create 'gilt edged' paper to be created to attract institutional backing.

Since our submission the prospects of an early and rapid lowering of interest rates seem to have declined. Although we are aware of the current difficulties of many established firms, new and developing firms will suffer most from both high interest rates and the discriminating effects of the administrative procedures adopted by the banks to curb their lending.

The opportunity to assist these firms in the current difficult economic and financial climate by encouraging British Banks away from their excessive preoccupation with security (hardly justified by recently reported profit levels) and providing vehicles for institutional investment in small business should not be missed. The limited public expenditure commitment required should give rise to many times its level of real investment with the consequent benefits of employment and tax receipts.

While the AIB continues to support your Government's determination to reduce inflation and accepts that a difficult period lies ahead, we believe that positive action to increase the availability of equity capital to small businesses is required in next weeks Budget.

*Yours sincerely*  
*B.A. Kingham*

B.A. Kingham  
National Chairman

**Executive Committee:** Brian Kingham (Chairman), Philip Bayliss, Peter Boneham, Lee Bushby, John Critchley, Patrick de Laszlo, Reuben Josephs, Simon Preston, Freddie Walker. Secretary: J. B. M. Donnellan.