

PRIME MINISTER

21 June 1985

PROFESSOR VINCENT'S PAPER

Professor Vincent is right that more should be done about 'entrepreneur creation' in addition to the existing work on job creation. He is also right that public attitudes are the key to enterprise: British Telecom's success shows what can be done. His best ideas are:

(Paragraph 10). Extending the Enterprise Allowance Scheme to those currently employed. A person who elects to give up his job to try it on his own must be better motivated, and hopefully have a better business proposal, than most unemployed. He still needs the same financial support during the critical start-up phase, and in leaving his job, he creates a vacancy that ought directly or indirectly to be filled from the unemployed register.

(Paragraph 13). Small Business Investment Companies (SBIC) to invest in local projects and business start-ups. Businessmen put up the initial stake and Government guarantees additional borrowings. If the venture collapses then it is the private funding that is lost first. This would be a useful adjunct to the operations of Local Enterprise Agencies but American experience shows it to be very expensive. It could be achieved more cheaply by changing the rules of the Business Expansion Scheme to allow the formation of SBICs wholly funded by private enterprise.

(Paragraph 16). 'Privatise' the administration of aid to small firms because public sector agencies are necessarily staffed by people with little experience of business or risk-taking. This is supportive of Lord Young's proposal ultimately to transfer the small firms service from the DTI to Local Enterprise Agencies.

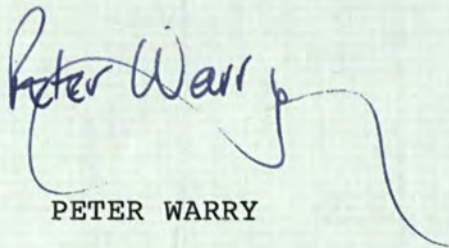


(Paragraph 17). More flexibility in Business Expansion Scheme rules to reduce the need for most investment to take place just before the tax year ends. This could be linked with eliminating double taxation of venture capital funds. (Currently the only way these can operate tax effectively and support British industry is by being based in Jersey!)

(Paragraph 20). Enterprise scholarships: give 500 graduates £10,000 a year for two years to set up their own businesses. This could have a dramatic effect on re-educating our education system about the worthiness of business and enterprise. But £10,000 is too much and a month's intensive business training would be necessary for participants.

(Paragraph 21). Executive secondment: middle ranking managers to be released for two to three years to start up their own businesses. If they aren't successful their old companies would re-employ them, but as a quid pro quo their old employers ought to be given an equity stake in the new ventures. David Young could canvas industry on this.

The net cost of these proposals need not be very great. It could be financed by switching some of the money spent from, for example, inward investment, regional assistance and ATP, none of which is likely to yield such useful results.

A handwritten signature in blue ink that reads "Peter Warry". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

PETER WARRY





10 DOWNING STREET

*From the Private Secretary*

Checklist of Vincent proposals

1. Enterprise allowance for employed people
2. SBIC's
3. Venture Bonds
4. Institutional investment in small firms
5. BES modifications
6. Enterprise scholarships
7. Executive secondment
8. Early retirement / redundant executives
9. Foreign contract businessmen
10. Management buyouts