

## **BALDRY CALLS ON DEPARTMENT OF BUSINESS TO CHAMPION THE NEEDS OF BUSINESS IN WHITEHALL**

**Speaking in a debate in the House of Commons Tony Baldry said that we need BERR to be a champion in Whitehall devoting all its attention to being an advocate for businesses in these particularly difficult times.**

**Tony Baldry highlighted too many instances where the Government is saying it is doing something for businesses but where the reality is different – too many schemes which make the Government sound good without actually coming up with anything.**

The complete text of Tony Baldry's speech is below:

**Tony Baldry (Banbury) (Con):** I do not think that any of us on any day can underestimate how deep the present recession is becoming and just how many jobs are being lost. In a patch like mine, which most hon. Members would consider to be a relatively prosperous part of the country, there is barely a day—certainly not a week—goes by without very significant announcements being made of further job losses in the automotive industry, retailing, automotive components and pretty well every sector of the economy.

What is also frightening is just how quickly businesses are running out of cash and the number of job losses that is leading to. Last week, for example, a very professional printing business in my patch announced that it would have to make about 60 people redundant—simply because of a somewhat disappointing order book for January and February. In the past, if a business had a cash-flow difficulty of that kind, it would have either gone to the bank to sort out future financial loan arrangements or gone to the shareholders to raise extra funding: neither of those options is now available, so businesses that are running out of cash find that the only way they can respond to it is by making people redundant and laying them off.

Even in the most recent unemployment figures—for January—we are already seeing the highest unemployment figure in Oxfordshire since May 1997, when the present Government came to power. In the month of January, unemployment in Oxfordshire jumped up by 1,104 people since the previous month—the biggest increase in a single month since March 1991. I suspect that, as the months go by, we are going to continue to see unemployment figures tragically beating those of previous months. Twice as many people are out of work in Oxfordshire now as compared to a year ago, and it is getting worse.

What we need, then, is for the Department for Business, Enterprise and Regulatory Reform to be a champion in Whitehall and it should devote all its attention to being an advocate for businesses in these particularly difficult times. Against that background, it is disappointing that so many of the relevant Ministers are in the other place. They are also somewhat distracted by trying to sort out the problems of the Royal Mail and, indeed, sort out the internal workings of the Labour party in terms of Royal Mail.

Lord Mandelson obviously appreciates that the Department should help business and be an advocate for it because on 9 February, he wrote us all a letter to tell us what the Department intended to do. We should compare the promises in the letter with what is actually happening in reality, because, as the hon. Member for Winchester (Mr. Oaten) rightly and correctly said, all too often the statements and promises made by the Government in the House do not compare with the reality on the ground.

Let me mention one good thing that the Department has done. A number of us who participated in a Westminster Hall debate recently were very concerned that, with so few Ministers based in the House of Commons and given the issues faced by our constituency firms are so immediate, by the time we wrote to Ministers and the information went all around Whitehall, it would take far too long to get responses. We suggested to the Minister responding to the debate that it would be good if there were a hotline that MPs could use to raise urgent and immediate issues with officials in BERR. The suggestion I put forward had all-party support on the day and I am pleased to credit Ministers for introducing it. For the first time, the Department now has a helpline and MPs are able to communicate directly with officials on policy issues. Lord Mandelson made it clear in his recent letter that if we had any urgent matters relating to a local company in difficulty, we could get in touch with David Smith, the director of special projects at BERR by e-mail on [economy@berr.gsi.gov.uk](mailto:economy@berr.gsi.gov.uk). Having used it on several occasions since it was announced, I have to say that officials have not only been courteous, but have interacted, responded and taken up issues with other Government Departments. That is what we need them to do.

Let us look, however, at what else the Department says it is doing. On finance and the various schemes for business support, I really question the real value to business of the enterprise finance guarantee scheme. First, the banks have 75 per cent. of their lending guaranteed by the Government; secondly, individuals or companies have a 2 per cent. premium charged on the outstanding balance—presumably that is some sort of insurance scheme on the remaining amount. It has now become clear, however, that the banks expect personal guarantees for 100 per cent. of the loan and that those 100 per cent. loan guarantees are offered with the support and agreement of the Government. As Phil Orford, chief executive of the Forum of Private Business, has said:

“It is outrageous. The guarantee scheme is supposed to be lending of the last resort when small firms have explored every other route”.

If personal guarantees of 100 per cent. are sought, what is the advantage of this scheme over any other banking scheme? A director of a public company, a small plus-listed or alternative investment market-listed company is not in a position to give personal guarantees, so those smaller public companies are effectively being excluded from the scheme.

What happened with the enterprise finance guarantee scheme? First, for a number of weeks, it was clear that the banks did not understand what was going on. Then, they did understand—and only too well, because the Treasury told them—that they only needed to lend money if they could get 100 per cent. personal guarantees. It will not be surprising if the take-up is not huge. One business man put it very well:

“To my mind, the guarantee scheme is one of those things that makes the government sound good without it actually having to come up with anything.”

All too many of these schemes seem to be about wanting to make the Government look good, without actually delivering anything.

Another scheme that Lord Mandelson mentioned in his letter of 9 February was the working capital scheme. One would assume from the letter that the scheme was up and running and that people would know how to access the funding, but all of us who take an interest in these matters know that the detail of the working capital scheme has yet to be sorted out—a point made by my hon. Friend the Member for Mid-Worcestershire (Peter Luff), who chairs the Select Committee.

There is no point in banks such as the Santander, Abbey National or others saying very virtuously that they are putting an extra £100 million into the enterprise finance guarantee scheme, when it seems to me that those bankers are taking on no risks at all. In the announcement earlier today, we heard about supposedly large sums of money coming from Lloyds for extra lending, but what is the point of it all if the money is released only if secured by the personal guarantees of small business men? I do not see how the scheme will work or how it will help any companies with their present cash flow. It is not surprising that in a recent survey of the Federation of Small Businesses, more than half of those questioned said that they did not think that the scheme would encourage bank lending.

**Mr. Binley:** Does my hon. Friend agree with me and the Federation of Small Businesses that the people you are talking about are actually saying that they are being forced into personal guarantees, which puts their home on the line, and their partners are saying “We are not carrying on the business if that is the choice”? Do you find that to be the case in the real world out there—

**Mr. Deputy Speaker (Sir Alan Haselhurst):** Order. I have no view on the matter, I think the hon. Gentleman means the hon. Member for Banbury.

**Tony Baldry:** The scheme is putting unsustainable pressure on many businesses, but my real point is that if a business wants to raise money on a secured loan it can do so

with a bank anyway, so why are the Government trumpeting their introduction of a scheme that does very little?

Lord Mandelson's letter also trumpets the following:

“HMRC is also working with businesses on tax or VAT deferrals.”

Actually, when we get down to the detail, Her Majesty's Revenue and Customs says that will be only for new inquiries. A company in my constituency, which I will not name for reasons of commercial confidentiality, wrote to HMRC on 11 November 2008 asking permission for deferment of pay-as-you-earn and national insurance contributions. It was not until 6 January, nearly two months later, that HMRC wrote to the chief executive of the company:

“I am writing to advise you that I have assumed responsibility for collecting any tax debt owed by the company. I can also confirm that I have received your correspondence dated 11th November”.

It is wholly unacceptable for HMRC to take from 11 November 2008 until 6 January 2009 to reply to a sizeable company that is clearly in difficulties and asking for help with deferment of tax and PAYE. My impression is that what happened in that case happens in most instances and HMRC is merely telling companies that approach them, “Well, if you get your tax affairs up to date we might consider what we could do in the future”.

There is another way for the Government to help small businesses in their dealings with HMRC, and BERR could help as an advocate. When customers fail to pay for goods or services, companies have to pay the VAT on the bad debt, but they cannot reclaim it for six months, which adds insult to injury. With today's technology one can scarcely believe that it would be impossible for the Treasury either to remove the need to pay VAT on bad debts—thereby easing cash flow—or at least to repay the VAT much more speedily than six months. For a number of businesses in my constituency finding that they have to pay VAT on bad debts just adds insult to injury.

What is BERR doing as a champion in the Government to deal with the mismatch between the jobs we are losing and the jobs we need? I shall give just one example. For me, one of the most depressing things recently was talking to skilled young automotive engineers who were made redundant at Prodrive because Subaru no longer sponsors a Formula 1 racing team. I then happened to hear a presentation from Transport for London and Crossrail about the Crossrail project and the refurbishment of the London underground. The House may not know the average age of a London underground engineer—it is 58. Who in the machinery of government is trying to ensure that the skills of those young automotive engineers, who clearly recognise that they will not be working in automotive engineering for some time, are put to good use working in other parts of the economy where their skills are needed?

We hear much trumpeting of the 2012 Olympics. There are still considerable skills shortages in construction in London, and I cannot believe that in other parts of the country where house builders and others have been laid off there is no potential to match up some of their skills with the skills needed for the 2012 Olympics, but who in the machinery of government is doing that? It should be a task where BERR acts as an advocate to try to ensure that there is not a skills mismatch.

Many of us are organising job clubs in our constituencies to try to support people who are out of work so that they can get back to the world of work as speedily as possible. However, that needs people in the machinery of government to ensure that everything is pulled together. At present, one has no sense of that happening. One has no sense of the regional development agencies or anyone else trying to ensure that the skills we have are put to the best possible use.

The other day, the Secretary of State for Energy and Climate Change made a long and passionate speech about what Britain can do in terms of green technology. Undoubtedly, the market is worth trillions of pounds and it could produce large numbers of new jobs, but one has no sense that anyone in the machinery of government is trying to see how areas such as mine in Oxfordshire—connected to the universities and to new technology—can promote green technologies and take the opportunities they offer.

Indeed, one does not even have a sense that BERR is sorting out basic things such as broadband so that the country has the right technological infrastructure. We have the slowest broadband speeds in the developed world. The situation is atrocious. We need much greater energy and effort from BERR. The Department should be the champion and advocate of business in what are clearly some of the most difficult times ever for UK businesses. We need Ministers' 100 per cent. attention on that task

**-ENDS-**

**Rosemary Hadow  
Office of Tony Baldry MP  
House of Commons  
London SW1A0AA**

**tel: 020 7219 6465  
mob: 077 0321 9223**

**Get the latest where you live at [www.tonybaldry.com](http://www.tonybaldry.com)**

