

on Setting Business Free
FOCUS



**GENERAL ELECTION 2005:
LIBERAL DEMOCRAT MANIFESTO
FOR BUSINESS**



Charles Kennedy MP
Liberal Democrats
4 Cowley Street
London
SW1P 3NB
020 7222 7999
www.libdems.org.uk

The Liberal Democrats believe that businesses trading in an open liberalised market produce the best results for the people of the UK. Without wealth creation, there is no wealth to spread.

That is why the Liberal Democrats are an instinctively pro-business party – we want British business to be world leaders in their fields. Our liberal tradition emphasises free trade and the opening up of both private and state monopolies to competition; allowing markets to work and liberating enterprise from the shackles of unnecessary regulation.

Governments do not have a good track record of creating wealth directly. The Government's role should be to uphold competition. It should encourage corporate social responsibility and make sure employment legislation is fair to both employee and employer. It should encourage environmental sustainability, both in production processes and in consumption patterns. And it should ensure our transport is in a decent condition and the workforce has a high level of skills to equip the nation for the economic challenges of the twenty first century.

But heavy-handed, interfering Government can make it difficult for business, especially small business, to create the wealth that is so important for the health of our economy. Unnecessary regulatory burdens consume wealth rather than create it. As the burden of regulation has grown, new requirements are imposed with no thought to the effect they will have. And once a regulation is in place, it too often becomes a permanent feature, whether or not it is still needed.

Liberal Democrats want to create a new environment for business. A strong economy, with robust fiscal controls is only the first step. We want to set business free to get on with the job of creating prosperity and jobs, innovating and trading across the globe.

Under Liberal Democrat proposals no new regulation will be passed until there is a fully published assessment of its costs and necessity. New regulations will only be introduced where voluntary action has failed to tackle a problem, and they will be time limited.

The Government's role should be cut down to size. The Department of Trade and Industry has become a frustration for the business community – it bears all the hallmarks of a meddling, centralising, over regulating government.

The Liberal Democrats would abolish the DTI and ensure that business interests are represented at the 'top table' by combining the new role of Minister for Business with the Chief Secretary to the Treasury.

These measures will help to set business free. That will be the aim of a Liberal Democrat Government.

Charles Kennedy

The biggest act of deregulation in history

The Department of Trade and Industry is a relic of the interventionist days of the past. It suffers from a conflict of interest as it acts as the voice of the consumer and of business. Liberal Democrats will abolish it.

Useful DTI functions will be transferred: employment to the Department for Work and Pensions; science and research to the Department for Education; energy to a new Department for Environment, Energy and Transport.

We will liberate Regional Development Agencies from Whitehall controls to address the real concerns of businesses at the local level. Regional Development Agencies will be reformed. We will ensure RDA boards are made up of members chosen within the region, including business representatives. The abolition of the DTI will be the biggest single act of deregulation in history. But we recognise the need for a voice for business at the heart of government. We will maintain a Deregulation Unit in the Cabinet Office and give the Chief Secretary to the Treasury the role of advocate for business at the Cabinet table.

Let the sun set on regulation

Too often regulations are imposed on business without an assessment of their impact. And once approved, some regulations outlive their relevance, tying up businesses in unnecessary red tape.

We will require an independent impact assessment on every new regulation to be published before implementation.

In addition, new business regulations will automatically include a sunset clause. This means a regulation will expire after a set period of time unless it is brought back to Parliament for renewal.

We will also review existing regulations to decide which need to remain in place or be scrapped. We will monitor the cumulative impact of regulation by commissioning the Deregulation Unit to produce an annual

assessment for Parliament. The government have added further requirements to EU regulations. The volume of 'gold plating' must be drastically cut. Under the Liberal Democrats it will. While regulators must be free from political interference in their day-to-day activities, they must be accountable to Parliament for their general policy direction. We will reform the structure of the regulatory bodies along the lines of the Bank of England Monetary Policy Committee. The appointment of senior regulators will be subject to parliamentary scrutiny. All regulatory bodies will be required to answer to a parliamentary select committee.

Simpler Taxes

Gordon Brown has massively complicated the tax system – we will make it both simpler and fairer. Our ambition will be to take more people on low incomes out of taxes such as income tax. We are also concerned by the increasing complexity of business taxes and will consult with businesses on a simpler and fairer system, giving priority to helping small business. Liberal Democrats oppose the concept of windfall taxes. They are arbitrary, unfair and penalise successful businesses. They will form no part of a Liberal Democrat budget.

Liberal Democrats are very clear that we are proposing only one net tax rise - our proposed 50p higher rate of tax on incomes above £100,000, which will allow us to keep down local taxes, scrap tuition fees and top-up fees in higher education, and introduce free long-term care. This top 50% rate includes the 1% National Insurance Contribution payable by high earners, and our proposed replacement for Council Tax, Local Income Tax, will not apply to income over £100,000. So 50% will be the absolute maximum marginal rate.

Small businesses – the engine of the economy

Small businesses create and sustain employment and provide flexibility and innovation for all sectors of

the economy. Liberal Democrats are committed to creating an economic environment in which they prosper.

Reviewing starter business regulation

We recognise that small businesses are at their most vulnerable in the first 18 months of their existence. We will therefore review all red tape on businesses to consider which are unnecessary in the first eighteen months. Small businesses currently lack a strong voice within Government. We would establish a Small Business Select Committee to examine Government actions, monitor the cost of bureaucracy and keep the needs of small businesses on the Government's agenda. The Chief Secretary to the Treasury will speak for all businesses within Government.

Cut business rates for small businesses

The burden of business rates currently impacts disproportionately on small businesses. We would introduce a business rates allowance, similar to a personal tax allowance. This will represent an annual saving of over £600 for the majority of businesses whose premises have a rateable value of less than £25,000. In the medium term we would replace the Uniform Business Rate with locally set rates based on a site valuation. This will spread the business tax burden more widely as urban land standing idle or derelict will also be subject to site value rates.

Advice and support for small businesses

Our plans to reform RDAs and free them from centralised control will allow them to focus more on the specific needs of small businesses in their own area. RDAs will be free to work with their local councils on economic development matters with small businesses being a key area of activity. The Small Business Service has failed to provide the strong voice for small firms at the heart of Government. It benefits only a small number of businesses at a

Top 6 Liberal Democrat policies for Business

- Carry out the biggest act of deregulation by scrapping the DTI.
- Carry out independent impact assessments on new regulations.
- Introduce a sunset clause on new regulation.
- Reform business rates with an allowance for small businesses.
- Simplify the tax system to ease the burden on small businesses in particular.
- Focus on increasing skills of the workforce.

disproportionate cost. We will scrap it.

The Manufacturing Advisory Service (already delivered by the regions) however will be retained. We will also retain the Small Firms Loan Guarantee Scheme but will operate it on a more commercial basis.

We will modernise the system of small business inspection. The endless visits by a plethora of inspectors from different agencies will be replaced by a rationalised Small Business Inspectorate which will act as a gateway to inspect and advise small businesses on compliance.

Maternity Income Guarantee

Our proposals to reform support for first time mothers taking maternity leave will relieve small businesses in particular from the costs of providing and administering this benefit.

Creating a skilled workforce

Skill shortages throughout the economy hold back the development of firms and damage wealth creation. In the liberal market economy we will develop, freeing business from the shackles of low skills and shortages of trained workers is a vital area for government activity.

Closing the skills gap

Up to the age of fourteen we will ensure that pupils have satisfactory attainments in the 'three Rs' and a good grounding in the full range of other subjects. From the age of fourteen, we will give pupils a much wider range of choices about how they continue their education. The option of an apprenticeship or other accredited workplace training scheme will be available. Other options will include the pursuit of a traditional academic route, attendance at an FE college or a more vocational education. Adult learning budgets of Learning and Skills Councils should be focused on those of any age who do not have an initial Level 2 qualification, and those aged under 25 who do not have an initial Level 3. We will give under

25s a statutory right to time off for training and education. We will also allow LSC budgets to support work-based training.

Scrapping tuition fees

The government's decision to introduce tuition fees is likely to result in increased costs for businesses. Many prospective employers will be under pressure to increase sponsorship to students once the full effect of tuition fees bites. Liberal Democrats will scrap tuition fees. We strongly believe that young people should not have financial barriers placed in the way of a higher education. It is in the national interest to increase the skills level of the workforce so that we can continue to compete economically throughout the world.

The UK in the world economy

Barriers to the free flow of goods and services are barriers to wealth creation and greater prosperity. A Liberal Democrat government will work through international institutions to pull down trade barriers. Exchange rate and economic stability are vital for business. Liberal Democrats were the first party to advocate independence for the Bank of England. A Liberal Democrat government will ensure a stable economic environment exists so business can grow and the nation can benefit from world trade.

Trade

As a major trading nation Britain is currently operating a record balance of payments deficit. We need stable long-term exchange rates.

The European Union is our biggest market. With so much of our trade taking place with the EU, its decisions directly affect us in the UK.

The UK however currently stands outside the Euro, now one of the world's most powerful currencies. This adds to the costs of British firms trading in Europe. We want Britain to be at the centre of a liberalised, reformed European Union. Liberal Democrats believe

that Britain should work to create the right economic conditions to join the euro, and then call a referendum so the British people finally get the chance to make their decision.

Managed migration

Vital economic interests and the prosperity of our nation are damaged when labour shortages leave jobs unfilled. Many employers have had to turn to foreign sources of labour to fill vacancies. In the interests of prosperity and of the nation generally, we support the right of migrant workers to come to the UK to fill gaps in the workforce we are unable to fill ourselves. We will replace the work visa system with a fairer one based on green cards with a set number of economic migrants, based on the needs of the economy.

Corporate governance

We are pleased that progress has been made in corporate governance. We welcome the Operating and Financial Review for listed companies, which includes reporting on social, ethical, community and environmental issues.

We believe that reporting on corporate social responsibility encourages positive behaviour by businesses.

Non-executive directors are key to protecting the interests of shareholders. We believe they should make up half the directors of a listed company.

This document contains Federal Liberal Democrat policy, except in areas where policy of the Scottish and Welsh Liberal Democrats applies.

A full costing document will be published at the same time as the General Election Manifesto.



Printed on recycled paper to preserve our environment for future generations.

Published & promoted: Chris Rennard on behalf of the Liberal Democrats, both at 4 Cowley Street, London SW1P 3NB. Printed: Park Communications, Lea Mill, Eastway, London, E9 5NU. 020 8525 6200