

# Alan Duncan MP speech to Baxter Caulfield Enterprise Conference

Huddersfield West Yorkshire 28<sup>th</sup> February 2006

## **Labour is failing business**

This week, over the other side of the Pennines, we have seen the Labour Party bidding farewell to Tony Blair as leader and debating what his legacy means for the future the party.

The party has been trying to heal the wounds after their near civil war a few weeks ago. Blairites have been keen to sooth the injured pride of the Chancellor and we have seen a week of adulation of his economic record, even if the Prime Minster can't bring himself to endorse him as the next leader.

Despite the Labour Party's attempts to claim that Gordon Brown is the Gladstone of the 21<sup>st</sup> century, People like you who run or work in business know that the reality is somewhat different. You know, whether in Yorkshire or nationally, the economic outlook is not as rosy as it should be.

The big picture is a depressing story of Labour's failure.

We have fallen from 4<sup>th</sup> to 13<sup>th</sup> in the World Economic Forum's competitiveness league. The rate of productivity growth has slowed since Labour came to power. Our share of world exports is shrinking and our trade deficit is increasing to record levels.

Businesses have begun to speak out about this Government, and about time.

A survey last month for the London Chamber of Commerce showed that 78 per cent of company directors said it was harder now for a small business to survive than in 1997, and 62 per cent said that starting up a new business was more difficult than nine years ago.

Businesses are choosing to set up in other European countries, rather than here. Google, Apple and Oracle all chose Ireland over the UK for their EU operations. Recently Peugeot and HP sauce have moved production from the UK and Only last week Nestle, decided to stop the production of Smarties at the old Rowntrees site in York, not to move production to a low cost country in Asia or Eastern Europe, but to Germany. Under Labour, Britain has become such an uncompetitive place to do business, that manufacturing is moving to Germany.

## **Manufacturing**

Earlier this afternoon I visited a local manufacture, Holmfirth Dyers,

I believe that manufacturing is critically important to the British economy. This is especially true in Yorkshire where a higher proportion of economic activity is in manufacturing than the national average.

First, manufacturing is important for our ability to export to emerging economies. At their stage of economic development they are more likely to need goods than services.

Second, it has a vital role to play in the continuing economic vitality of many areas of our country including the Yorkshire.

And third, it is important for maintaining diversity in the British economy; a broad based economy may be better able to weather an economic storm.

Labour used to claim to be the champions of manufacturing, but in their hands it is crumbling. Over 1 million jobs have been lost on their watch and research and development spending is down. Manufacturing isn't even mentioned until page 167 of the recent Budget Report.

I looked back recently at the historical data on manufacturing output – Labour's spin has been so effective on this that even I was surprised by the facts – under the last Conservative Government output rose by over 12 per cent, but under this Government it has fallen.

There are a number of factors that are squeezing manufacturers. One is regulation, and I want to talk about that later. Another is high energy prices.

Last year business customers saw unprecedented rises in gas and electricity prices. For medium size business users, electricity prices rose by 40 per cent and gas prices rose by over 50 per cent<sup>1</sup>.

Whereas medium sized electricity using companies in the UK paid 22.5 per cent less for their electricity than those in France in July 2004; by October 2005 they were paying 12.5 per cent more.<sup>2</sup>

This has a significant impact on the competitiveness of British businesses - and falls especially hard on exporters.

The British Government should have done more to promote liberalisation when it had the rotating presidency of the EU last year. And now the Government faces further challenges to secure energy supplies. The development of LNG terminals and extra gas pipelines provide greater import capacity that rightly coincides with the decline in production from fields in the North Sea. But ensuring that these operate at full capacity, especially during a cold snap, when the gas market is tight, is a greater challenge.

Added to that, the fact that over 30 per cent of our electricity generating plant is due to be decommissioned over the next 20 years, it is hardly surprising that energy has been propelled to the top of the political agenda.

That is why, back in January, I said that in the Conservative Party we would conduct our own Energy Review alongside the Government's.

We published the findings of our review, ahead of the Government's in July this year. We believe the necessary conditions for any serious energy policy have to be liberal markets and a regime to reduce carbon emissions.

Our review set out a market based approach, where the Government's role is to set the targets for emissions reductions and establish the framework to incentivise reductions by a cap and trade system which would put a price on carbon and give investors the long term price signals they require to invest in low carbon generating technology.

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<sup>1</sup> *Quarterly Energy Prices*, Section 3.1.2, DTI, March 2006

<sup>2</sup> Figures include tax, *Quarterly energy prices*, Table 5.4.2, DTI, December 2005 - Medium defined as consuming 24GWh per annum with a maximum demand of 4MW.

## **What business can expect from a Conservative Government**

What is different about Conservatives is that we understand what businesses need to thrive. We have been there, we have worked in the private sector, we have run businesses and employed people. We understand risk and what business needs and what government should and should not do.

I tried to highlight this in a speech recently by mentioning that the Government's DTI team didn't have any business experience. I contrasted that with the experience that our front bench team has.

The Daily Mirror leapt on it. It described me as a contemptible Tory born with a silver spoon in my mouth and called for me to be sacked.

The attacks of the Daily Mirror I wear as a badge of honour. But it is a serious point – they need to understand how businesses work and what businesses need.

### *The role of business in the community*

Business has to understand that it has a role to play in society. It has an impact in on its workers, its customers the community in which it operates and on the wider-world.

Successful companies often have the best CSR records, because good CSR often means a high standard of corporate governance an understanding of what consumers and investors want. The flip side is that it is successful companies who can implement good CSR policies. Companies struggling to survive won't have the inclination or the opportunity to consider their CSR record and spend time and money to innovate in this area.

Larger companies have the staff and the resources to adapt more easily to regulation such as extra maternity and paternity leave. The smaller the business, the harder it is to do this. This is what government doesn't seem to understand. They regulate without considering the impact of regulation on all sectors of the economy. Since 1997 it has been estimated that business has faced an extra £50 billion of costs from regulation.

We tried to lift the burden of new maternity and paternity leave for the smallest firms by amending the Work and Families Bill so that the Inland Revenue would take the burden of administering the scheme for businesses of fewer than 50 employees.

As much as possible, we want to give businesses the freedom to respond to demands from employees for flexible working and other improvements to work life balance in a way that best suits their circumstances and the circumstances of their employees, rather than inflexible regulation being imposed from the centre.

### *Regulation*

The burden of regulation is growing. The British Chamber of Commerce estimate that new regulations brought in since 1998 have cost British business over £50bn.

When Labour ministers introduce these regulations they think about their effect on big, multinational firms. They forget that more than 90 per cent of businesses employ fewer than 5 people. They don't understand that such firms do not have the resources to find out about all the regulations and guidance that apply to their company, let alone fill in all the forms they need to comply.

Labour talk about cutting regulation. They introduced a new law that allowed them to remove out-dated rules and un-necessary regulations with a fast-track procedure. Now given that they have introduced more than 3,000 new regulations each year, how many do you think they got rid off with the fast-track procedure? Just 27.

*The Conservative prescription is different.*

I want to change the culture in Whitehall that says that success can be measured by the number of pages of directives and guidance brought in. Performance in Government needs to be about delivering results, not simply being seen to be doing something.

Sometimes regulations are necessary and sometimes practices do have to change. But I want you to know that I recognise that the costs of change can be high. That often the costs of making changes are higher than the ongoing costs of compliance.

Businesses also want a level of certainty in Government. They want to know, with as much certainty as possible, what is coming – so they can plan and to invest. Gordon Brown doesn't work like that. He is forever tinkering with the tax system. Every year the Finance Bill gets fatter, there are more regulations to digest, more schemes set up and more guidance issued. The result is greater burdens on businesses and a lack of clarity that deters investment. No wonder business investment is at an all time low.

We are clear that stability must come first. That stability, clarity and responsibility in managing the economy are our top priorities. The new Conservative agenda uses economic liberalism to encourage business growth, create prosperity and tackle poverty. We know that we have allowed ourselves to be branded as rampant capitalists in the past, but that has never been the case. We recognise that some level of regulation is necessary and useful, but we also know that too much is harmful.

My message is that you can now trust us again on the economy.

Thank you.