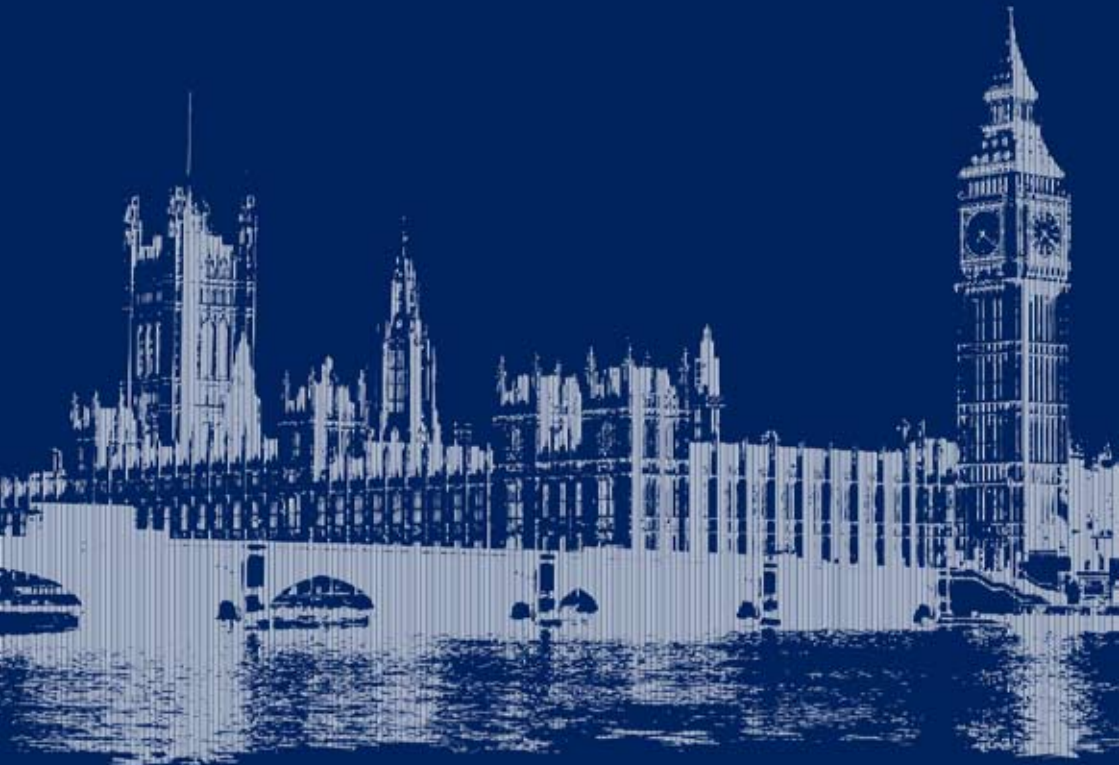


New Government in action

The business agenda



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Any new Government will face major economic challenges and difficult decisions. The UK economy has suffered a savage recession and the situation remains uncertain. In this environment it is crucial that all politicians publish their priorities to help the economy recover, and to set it on a course for long-term growth. The CBI has set out the views of business on the economic priorities for any new administration. Our recommendations do not shy away from tough choices. To follow them requires confidence and courage. But, at this difficult time, it is critical that the right choices are made.

The right economy for Britain

Set out a sustainable path for the public finances

The most challenging task for the next Government will be to lay out a sustainable, clear and robust path back to fiscal health. The tone should be set within weeks of taking office so that business sees credible commitments to get spending under control and ensuring continued investment. The aim must be to balance tighter fiscal policy with monetary policy that is sufficiently accommodating to allow for economic recovery. The emphasis must be on spending cuts and adjusting expenditure plans rather than tax increases. Vague promises of efficiency savings will not be enough and there should not be “no go” areas. The UK’s AAA credit rating must be put beyond doubt, and the current budget returned to balance by 2015.

Establish competitive business taxes

Business taxes need to be competitive with those of other major industrial countries, and they must be both consistent and fair. The current fiscal problems rule out immediate reductions in the overall burden of business taxes, but the new Government needs to set a strategic objective over the medium term to drive the headline rate of corporation tax down to 18 per cent. Tax reliefs such as the R&D tax credit should not be cut to fund an overall decrease as they enhance the UK’s attractiveness as a destination

for high value investment and jobs. Above all, policymakers must remember that business taxes are paid for by the community as a whole – employees, customers, and savers – rather than by some anonymous entity called “a company”.

Develop a strong banking system

The next Government will have to take some big decisions about the banking system. It should concentrate its efforts on changes in regulation, rather than on the machinery of regulation. It should also keep in mind the possible international consequences of any unilateral decisions. By far the most important regulations to get right are those which cover capital adequacy. When considering the state’s shareholdings in the banks, the focus should be on long-term value for the economy, rather than on maximising shareholder value in the short-term.

A better environment for jobs and growth

A global voice for UK business

The UK competes globally and the next Government must seek constructive engagement with the European Union and on the global stage. The EU should develop a coherent and liberal European energy policy, strengthen the single market and competition policy and resist protectionism and over-burdensome regulation. The Government needs to be strong in the defence of the UK's national interests, such as its global leadership in financial services and protection of the UK's flexible labour market. On the global stage, the Government's priorities must include freeing up international trade and taking a leadership role in climate change negotiations.

Skill students for the future

There is an urgent need to increase the number and quality of science, technology, engineering and maths graduates. These are essential to the UK's future competitiveness built on knowledge-intensive, high value-added sectors. In the continuing reform of secondary education, young people should be expected to continue some form of maths or numeracy education after 16 and the brightest 14 year olds should be opted into triple science. The higher education sector faces big challenges and the financing, structure and mission

of our universities must change if they are to sustain and strengthen their position in a rapidly changing environment.

Tackle youth unemployment

As youth unemployment reaches levels of over one million, more must be done to limit its scarring effects and increase the opportunities and long-term prospects for young people. The Government should set youth minimum wages and apprentice rates at a level that is appropriate for young people's employment prospects and ensure the education system produces young people with at least basic literacy and numeracy skills. Further help for employers to offer more apprenticeships can be developed by offering a subsidy of £2,500 for firms that offer additional apprenticeships to young people or employ an apprentice for the first time.

Attract and cultivate enterprise and industry

As the UK economy rebalances after the recession, a host of new markets and services will be developed as companies look to grow and build their product and service base. Ensuring viable businesses get access to credit is essential. Changes to capital gains tax have disincentivised entrepreneurial behaviour. The UK's manufacturing sector is in a fragile state with a dangerously weakened domestic supply chain. We need an industrial policy which supports those areas of industry where the UK has comparative advantage.

Doing more with less to deliver public services

Reforming services to improve the economy

The public finances should be restored by re-engineering public expenditure plans rather than through further tax increases. The necessary spending cuts should be seen as the catalyst for long overdue reforms that address inefficiencies in public sector supply chains, procurement processes and workforce management. Better educational, health, policing and welfare outcomes can be achieved if the existing status quo is challenged and there is freedom to innovate and to change. In many areas the private and third sector deliver better outcomes at lower cost – the best provider should be chosen.

Address public sector pensions

The Government must address the growing problem of public sector pension liabilities. These already represent an enormous and unfair burden for future generations of taxpayers. Step one will be to publish reliable estimates of the size of the liabilities as they now stand. Step two will be to establish the best way to cap them over time – one which will be fair to those who are already approaching retirement, and give younger public sector workers the time to make appropriate plans.



Invest for the future

Prioritise energy security

Energy security must be among the highest priorities for the next Government as large chunks of our energy infrastructure urgently need replacing and the UK faces a serious energy shortfall by 2016. The Government needs urgently to pursue policies to deliver a balanced energy mix that includes wind and other renewables, nuclear, gas, and clean coal. The planning process must be sped up by delivering the National Planning Statements through the Infrastructure Planning Commission, as well as pressing ahead with the regulatory frameworks for carbon capture and storage demonstration plants and a substantial increase in gas storage capacity.

Work towards a low-carbon economy

Current targets for cutting greenhouse gases by 2020 are very challenging – emphasis must be placed on much increased energy efficiency together with preparations for a major shift to low-carbon energy sources. In order to attract private capital the Government needs to make bold decisions which tackle barriers to low-carbon investment, set out a clear framework and provide a timetable for action. At the national level demand for low-carbon can be stimulated through speedy installation of smart meters, council tax rebates for insulating homes and a scrappage scheme to upgrade white goods. Internationally the UK must be positioned at the forefront of creating an international carbon market.

Develop the infrastructure for economic growth

The UK's transport and other infrastructure must be a priority for investment by the new Government. Capital spending should not be cut as an easy route to reducing the pressures on public spending. The next Government should avoid further cuts to the capital budget.

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CBI

The CBI's mission is to help create and sustain the conditions in which businesses in the UK can compete and prosper for the benefit of all. We are the UK's leading business organisation and campaign for a competitive policy landscape for companies in the UK, the EU and on the wider international stage.

The CBI's strength lies in its breadth of membership, representing over 240,000 companies of every size and from every sector. With offices across the UK as well as in Brussels, Washington, Delhi and Beijing, the CBI provides members with representation around the world.

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