

DEMOS

Toby Perkins MP – Value and Values: a One Nation business model

CHECK AGAINST DELIVERY

Good morning. Congratulations on surviving the numerous business receptions last night and making it out so early for this debate.

I'd particularly like to say thank you to Demos for arranging our discussion this morning. Demos are admired and feared for forcing the decision makers to challenge our pre-conceptions and think outside of our comfort zone, and am sure it will be the same today as we consider this subject which cuts to the heart of One Nation Labour's approach to business.

Thanks also to Kelloggs, a world famous company from over there ... who are doing rather well over here, I hope you won't give them a Frostie reception!

Background

I have a particular interest in this subject, not only as Labour's Shadow Small Business Minister, but because I haven't always been a politician, in fact I was once a human being.

For 20 years prior to being elected in 2010, I worked in business, first in sales, then as a recruitment consultant and subsequently senior manager at one of the fastest growing mid-sized business in the country. Then, like many of the people I now work closely with as a Shadow Minister, I established my own small business, Club Rugby, which I ran for five years prior to the election.

It always seemed entirely natural to me that someone building a business, employing and developing staff, bringing through the talent of tomorrow, accessing new markets and importing and exporting product would be at home in the modern Labour Party.

And as Ed Miliband seeks to promote the responsible capitalism agenda, he wants Labour business policy rooted in the real life challenges Britain's businesses face every day. He set out to encourage more people with business backgrounds to represent Labour in parliament, and already we are seeing the fruits of that policy, with entrepreneurial business people being selected to represent Labour in key marginal constituencies.

James Frith, an educational services online entrepreneur, is our candidate in Bury North; Victoria Groulef, founder of an online clothing retailer, is in Reading West,

Kate Godfrey, a Construction Industry Sales Manager in Stafford and small business owner, Emily Darlington in Milton Keynes.

In addition the entire Shadow Business team have private sector experience, and the party's Small Business Taskforce report into how to make Britain the best place to start up and run a small business brought together a broad array of talent and experience from across entrepreneurial sectors and academic achievement.

Our engagement with the business community has been far reaching and in depth and has led to this year's business reception being the biggest in the Party's history.

One Nationism

We will hear Ed's fourth conference speech later today. In his very first conference speech he expressed his determination to make Labour the Party of Small Business. In his second he addressed the need to challenge irresponsible, predatory practices and in his third he introduced us to his vision of One Nation.

The thread running through all of these speeches is the idea of a responsible country where those large and small play by the same rules and pull together in the same direction.

A One Nation business model:

- Would see small business owners recognising that huge corporations were playing by the same taxation rules as everyone else.
- Would allow successful large firms to harvest the fruits of their success without unfairly using their size to stifle competition, restrict small business innovation or restrict a competitive market.
- Would see the critical relationship between small business owners and their banks as one of mutual trust, respect and confidence.
- Would recognise the need for government to regulate proportionately, to ensure markets and business relationships are not exploitative, to support business growth and an outward looking relationship with the rest of the world.

As Britain battles with record youth unemployment, a record of under utilising the skills of women, a poor ratio of SME exporters and a history of discrimination against older workers and other demographics, the need to provide a launch pad to fulfill the untapped potential of our nation couldn't be more urgent.

Yes, more of our businesses and people can enjoy success at home and across the world.

None of this will ever supplant the need to make a profit and deliver value for shareholders, and it would be ludicrous to pretend that the needs of business will not always reflect that, but a one nation approach will see business deliver that through capitalising on mutual benefit, fair markets and appropriate support.

Access to finance

Businesses consistently rank access to finance as their most pressing concern of all.

Britain is currently facing a mutual crisis of confidence around small business lending. A survey released this month by the FSB found that more than half of small businesses believe that banks 'do not care about small businesses' and similarly banks fear lending money to businesses in our fragile economic climate.

The failure to break this crisis of confidence is one of the biggest failures of our two nations Prime Minister and net business lending has fallen every year since he entered Downing Street.

Such failure is not inevitable, and you only have to look to our main competitor countries to see this. During the crisis net lending to German small businesses actually increased, and over the pond in that land of limited government ... the US Federal Government's Small Business Administration supports an average of \$23.8 billion in loans per annum.

This figure represents roughly eight times the lending rate of the UK Enterprise Finance Guarantee scheme after taking into account the relative sizes of the two economies.

The next One Nation Labour government must ask itself how we can replicate the best principles of these countries in partnership with business, local authorities and the third sector.

Already One Nation Labour Councils are leading the way in supporting peer to peer lending and increasingly local authorities are recognising that they can support business growth by easing the route to local finance.

I am proud that earlier this year, Labour's Camden Council became the first local authority in the country to launch a Local Business Lending Partnership in conjunction with Funding Circle. They launched a £100k investment into the scheme and are working with other London Boroughs to develop a sub-regional pot of money to invest in small businesses.

This peer-to-peer business lending partnership will work to stimulate local economic growth and employment through improved access to business finance.

More broadly, we need to create an environment where other new and innovative forms of finance can develop and flourish.

At the moment the defining features of our banking market are its uncompetitiveness and inflexibility. 89 per cent of all UK businesses are locked into five (maybe now six) large banks, and as each of these banks has roughly the same business model, lending on the basis of the same equations, the chances are if the computer says no to your business model in one bank it will do so in the others.

We need a panoply of options, with the principle of proximity at its heart.

It's clear once these are up and running we need to do more to promote them to business to ensure they do not sink into a sea of obscurity. When surveyed, just 37% of small businesses say they know about the alternative finance options already available, and particular forms of finance such as peer-to-peer lending, from the likes of Funding Circle, and challenger banks like Handelsbanken, are known to only 18% of small firms.

One Nation Labour's will also look to create a generation of local banks, based on the key features of Germany's successful Sparkassen model to boost business lending.

When in Germany I met a manager of a local Sparkassen. She knew her town, knew her community and had the personal authority to lend up to £250,000 to local businesses based on her assessment of their potential in the local economy. It was such a refreshing change from the deskilled bank employees most small business owners come across, who are granted so little authority by their London head offices.

I can announce today that Labour have established a working group – not dominated by politicians, but by those with expertise in the worlds of banking and small businesses – are now taking this idea forward to determine how we can best bring to life these progressive principles in a British context.

Other areas

There are further signposts to what Labour's One Nation business model will look like post 2015 in the work we are doing in opposition.

We have been at the forefront of aiming to push further on the scourge of late payments that affect so many smaller business unfairly, and will look to help small firms through further pushing on the culture of late payments by strong action in government and further pressure on regular offenders.

Our work on demanding a more robust regime on insolvency to expose and disqualify dodgy directors, to support tougher penalties and a higher prosecution rate of the small number of firms whose irresponsible actions can push law abiding businesses towards bankruptcy, has led the government to propose some welcome steps, but our regime still needs further reform.

The British pub is not only a well loved national icon but a vital economic provider of jobs and revenue. It is also a symbol of a market where the relationship between the big guys and their tenants has become horribly skewed. We will continue to push the government to use a statutory code to stop the tide of pub closures and build on the huge successes of our micro breweries to boost this vital British industry.

Our high streets, like our pubs are both iconic and economically vital. But the balance on our high streets is wrong, many feel that the level of business rates and the cuts to local government spending which has had the effect of increasing charges like parking and retail rents has led to a hollowed out narrow and unattractive high street which reductions in the role of planning authorities will only exacerbate. A one nation economy needs a vibrant and diverse high street with new local entrants able to compete and challenge established names.

Yesterday's confirmation of a jobs guarantee for all young people out of work for 12 months is a further illustration. Young unemployed people often need support to access the workplace and businesses should be enabled to provide those opportunities without fear of considerable cost. Yet the government's 'work for nothing' approach risks exploiting those who have least. This way businesses will get financial support to take on the long term unemployed, young workers will receive a financial recompense for their labours and everyone who says they are available for work will have the chance to prove it.

Conclusion

So in each of these areas the principles of a One Nation Business Model are clear – fairness, a something for something culture, one rule for all and rewards for those who play by those rules.

These principles will inform all of the work Labour will do as a One Nation government after 2015. I believe by working together with government can act as the wind at the backs of businesses, not the rain in their faces and in this way we can unleash the promise of Britain.