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Dear Chancellor,

Proposals for the Budget Statement 21st March 2012: Submission from the Greater Manchester Chamber of Commerce

Greater Manchester Chamber of Commerce is the largest in the United Kingdom representing over 5,000 businesses that collectively employ over 350,000 people. You will also be aware that Greater Manchester lies at the heart of an area that is the most economically intense outside London and the South East, therefore the local economic environment is an important indicator of regional and national economic performance and business sentiment. We recognise our role in driving economic growth in the North of England and believe that we offer the greatest potential for establishing sustained growth for the UK.

Previously we have expressed support for your deficit reduction plans and continue to be supportive, however we feel that to date a number of announcements have lacked the timing, scale and attractiveness to create the confidence needed by business to invest and create jobs. We also believe that a small number of effectively focussed measures could help achieve a more balanced economy, which is in the interests of the Nation. Taking into account the need to reduce the country's deficit and current finances we estimate that limited new spending measures of £3bn to £5bn are possible, whilst retaining strong UK credibility in the markets.

We request that you consider the following policy proposals for your Budget that we expect would cost approximately £4bn and give consideration to representations from our colleagues at the British Chambers of Commerce in their submission.

Abandon in its entirety the scheduled 5.6% increase in business rates with effect from April 2012. Cost to HM Treasury would be £1.14bn in England plus any freeze on business rates implemented in the devolved regions (estimated at £1.8bn if all regions freeze this tax).

The Chamber has calculated that the planned increase in business rates will cost businesses in England £1.14bn; enough to pay the median wage and employment tax for 46,600 people. Businesses are already facing a considerable challenge during this difficult low growth environment including rising costs in areas such as transport. One reason for the rising cost of fuel is that Sterling is much weaker than it was when the price of oil exceeded \$140 per barrel, and as a consequence the Sterling cost of oil is now back over the £70 per barrel mark of 2008 when oil prices reached record highs. The scrapping of the rise will also be welcome to retail businesses that are facing considerable challenges at this time as a result of consumer spending trends, inflation and the changing face of the high street. This tax is not

based on a business' ability to pay as it is not linked to profitability and can prove particularly onerous for smaller businesses.

Further increase the funds available through the Regional Growth Fund by £1.5bn, on top of the £1bn announced in the Autumn Statement. Cost to HM Treasury would be £1.5bn.

The Chamber's Economic, Finance and Taxation Committee recall the positive impact of the Regional Development Grant on encouraging business investment in the 1980s. The committee recognise that this is not entirely dissimilar to your Regional Growth Fund scheme and therefore the committee suggested that the Regional Growth Fund be further extended to stimulate investment and growth. We very much welcome the additional the £1bn announcement in your Autumn Statement, however we would like to see a sizeable increase in the funding available within the spending restriction that we anticipate to ensure credibility is maintained. This, coupled with an accelerated process for releasing the funds much quicker to successful bidders will give out clear, strong signals of the government's intent whilst giving comfort and certainty to the private sector.

Commit the remaining £465m investment required to deliver the benefits of the Northern Hub rail project and bring forward the implementation plans. Cost to HM Treasury would be £465m.

In previous statements you have committed £85m to the Ordsall Chord, one element of the 18 individual projects that make up the Northern Hub, and have announced the electrification of the rail line between Manchester, Leeds and York. In order to achieve the full economic benefit of this project to the region, some £4.2bn and the creation of up to 30,000 jobs, we urge you to commit to this project in full as the economic benefits of this project far exceed those of other transport projects such as Crossrail. Bringing forward this important project would release funds now to provide a boost to the North West economy, at a time when unemployment in the region is rising, and help achieve the long term benefits of the project's delivery sooner. You will have received a letter from our President, Mr Martin Douglas OBE on 27th January stating why the investment case of Northern Hub makes sound fiscal sense at this time.

Abandon the planned decrease in the Annual Investment Allowance from £100k to £25k. Cost to HM Treasury in 2012-13 would be £200m.

The Chamber's Economic, Finance and Taxation Committee met at the beginning of February and felt that businesses are facing an uncertain economic outlook that is leading to unwillingness to commit funds for investment. Reducing this allowance to £25k will further act as a disincentive at this time, particularly for those medium sized asset intensive businesses such as engineering and manufacturing firms that can drive growth. Maintaining the level of the allowance at £100k will cover the vast majority of firms and enable those from a range of industrial sectors to benefit. The Chamber's Quarterly Economic Survey has highlighted the poor levels of investment recently. The Bank of England's recent inflation report also highlighted weak business investment and suggests that consumer demand will support growth ahead. There must be some doubt concerning consumer demand, and we would suggest that in order to re-balance the economy and stimulate demand, growth driven by businesses investment is more desirable.

Longer term business confidence and investment must be promoted by addressing excessive regulatory and employment burdens, as well as ensuring that the skills of our young people match those required

by businesses. We have made representation to you separately on previous occasions and to other Government departments, therefore we will not repeat them here.

If you have any questions on any of the points we have raised please do not hesitate to contact me and I look forward to receiving your Budget Statement 21st March.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Clive Memmott', with a large, sweeping flourish extending downwards and to the right.

Clive Memmott
Chief Executive