



To check
DTP response
AT 5/12

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 November 1984

Callum McCarthy Esq
Private Secretary to the
Secretary of State for Trade and Industry

Dear Callum,

SMALL BUSINESS LOAN GUARANTEE SCHEME

The Chancellor has seen a copy of your letter of 22 November to Andrew Turnbull. He is broadly content with your Secretary of State's revised proposals, subject a number of small provisos.

The Chancellor agrees that it is highly desirable to impose a lending ceiling of £50 million for the calendar year 1985. If during the course of the year it appears there is any risk the ceiling will be breached, your Secretary of State will, of course, want to consider whether he should announce the scheme will be closed for application after an agreed date. The Chancellor suggests this point might be made clearer in the draft written answer by amending the second sentence to read:

"However, in order to contain costs, I am imposing a ceiling on lending in the calendar year 1985 of £50 million."

The Chancellor is grateful to your Secretary of State for agreeing to make savings elsewhere in your Department's programme to accommodate the estimated costs of extending the scheme. However, he fears he cannot agree at this stage that any additional losses should be funded from the public expenditure reserve. He will, of course, look sympathetically at any proposals your Secretary of State may put forward at the appropriate time. However, he considers that he must be free to consider the details of any claim against the reserve, if and when it arises.

You also asked whether Mr Tebbit could refer to the possibility of widening the scope of the Business Expansion Scheme in his written answer. Preliminary discussions between Treasury and Inland Revenue officials suggest that there are likely to be major problems in extending the BES to include unincorporated businesses. The Chancellor would be happy for DTI officials to join in further discussions of the possibilities in this area. However, at this stage he thinks it would be most unwise to say anything publicly about these studies.

Finally, the Chancellor feels the first sentence of the draft answer should make it clear that the scheme has not fulfilled its original goal of breaking even and should therefore read as follows:

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"I have decided that, although the experimental Scheme has not fulfilled its original goal of breaking even, it should be extended for a further year to the end of 1985".

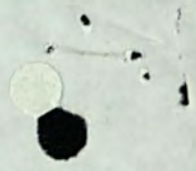
I am sending copies of this letter to Andrew Turnbull (No.10), the Private Secretaries to the other members of E(A) and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

small Firms: Econ. Pol. Pt 5.



30 NOV 1984



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CCNO



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PS Secretary of State for Trade and Industry

10 December 1984

Miss M O'Mara
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Dear Margaret,

LOAN GUARANTEE SCHEME

Thank you for your letter of 29 November setting out the Chancellor's views on my Secretary of State's proposals for the Loan Guarantee Scheme.

2 My Secretary of State is content with the suggestions the Chancellor makes for the terms of the announcement of the extended Scheme. He agrees with the Chancellor on the importance of the £50 million ceiling. He is, however, disappointed that the Chancellor is not prepared to make any commitment on use of the public expenditure reserve for any losses above the levels for the which we have been able to find offsetting savings. The Secretary of State has had to make what are very difficult expenditure decisions in order to accommodate this extension, based on realistic assessments of the failure rate. He accepts that this might be left, and looked at, in the light of further experience of the scheme; but he wishes to put on record that he could not contemplate further offsetting savings beyond those already agreed.

3 It is also disappointing that it does not now appear possible to make any reference to possible extension of the coverage of the Business Expansion Scheme. With the LGS being extended for only one year there is a danger that we shall be left with little in the way of policies to cover the small firms finance gap which exists at the bottom end of the market. My Secretary of State would welcome the involvement of DTI officials in discussions of ways of dealing with this problem.

4 Subject to any further comments from other recipients to your

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letter, we will arrange for the announcement of the LGS extension to be made in the terms agreed as soon as possible.

5 I am sending copies of this letter to Andrew Turnbull (No 10), the Private Secretaries to the other members of E(A) and to Richard Hatfield in the Cabinet Office.

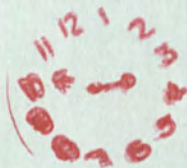
Yours ever,
Ruth

RUTH THOMPSON
Private Secretary

JH1BRH

Econ 101: Small firms : pt 5.

11 DEC 1984





CABINET OFFICE

NRB 17
AT 112
and

From the Minister without Portfolio

70 Whitehall
London SW1A 2AS
Telephone 233 3299

The Rt. Hon. Lord Young of Graffham

Miss M. O'Mara,
Private Secretary to the
Chancellor of the Exchequer,
H M Treasury,
Treasury Chambers,
Parliament Street,
London, S.W.1.

5th December, 1984

Dear Margaret

You kindly sent me a copy of your letter of 29th November to Callum McCarthy about the future of the Small Business Loan Guarantee Scheme. As you know, Lord Young has been involved in the discussions on the future of this scheme and he has asked me to say that he is content with Mr. Tebbit's revised proposals, subject to Mr. Lawson's suggestions with which he agrees.

Lord Young has also noted the reference to official discussions taking place about the Business Expansion Scheme which you have now invited DTI officials to join. Lord Young would be grateful if an official from the Enterprise Unit could also be involved in these discussions.

I am copying this letter to Andrew Turnbull (No. 10), the Private Secretaries to the other members of E(A) and to Richard Hatfield (Cabinet Office).

Yours ever
Leigh

Leigh Lewis
Private Secretary