

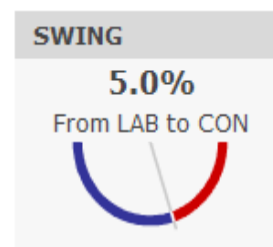
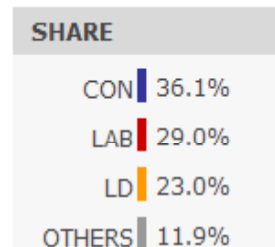
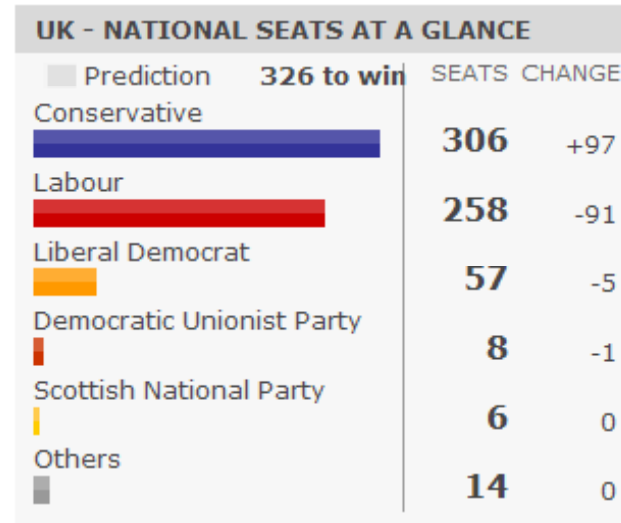


# 2010 UK General election Business & Policy implications

**CBI Beijing**  
**28 May 2010**



# General election: The result



# General election: Some noteworthy developments and themes



- **The campaign itself**
  - **Televised debates**
  - **Internet**
- **An anti-incumbency election**
  - **Turnout**
  - **Turnover**

# General election: Some noteworthy developments and themes



- The campaign itself
- An anti-incumbency election
- Regional trends
- Minority parties
  - Regional parties
  - The Greens
- ... Result: a hung Parliament!

# The Coalition Government



- A Conservative / Liberal Democrat Coalition was formally announced on 11 May
- 7-page coalition agreement published  
[http://www.conservatives.com/News/News\\_stories/2010/05/Coalition\\_Agreement\\_published.aspx](http://www.conservatives.com/News/News_stories/2010/05/Coalition_Agreement_published.aspx)
- “You give me five years in power and I’ll give you electoral reform...”

# Key positions in the Coalition Government



## Key Cabinet positions for business include...

- **Prime Minister** – David Cameron
- **Deputy Prime Minister** – Nick Clegg
- **Chancellor of the Exchequer** – George Osborne
- **Chief Secretary to the Treasury** – David Laws
- **Business Secretary** – Dr Vince Cable
- **Foreign Secretary** – William Hague
- **Education Secretary** – Michael Gove
- **Work and Pensions** – Iain Duncan Smith
- **Energy and Climate Change** – Chris Huhne
- **Home office and Equalities** – Theresa May
- **Health** – Andrew Lansley
- **Transport** – Philip Hammond

# Coalition key issues and compromises

## So far.....



- **Public finances**

- “Acceleration of efforts to reduce the deficit”
- £6bn this year
- Emergency budget and Office of Budget Responsibility
- Tackle public sector pensions

- **Tax**

- £2m mansion tax vs £1m inheritance tax threshold
- £10k income tax threshold (fairer taxes)
- CGT for non-business assets
- National insurance

- **Electoral reform**

- 5yr fixed term parliaments
- Referendum on Alternative Vote system

- **Environment and Nuclear**

- Nuclear new build (energy)
- Trident (defence)
- No new runways: Heathrow, Gatwick, Stansted and “per-flight duty”

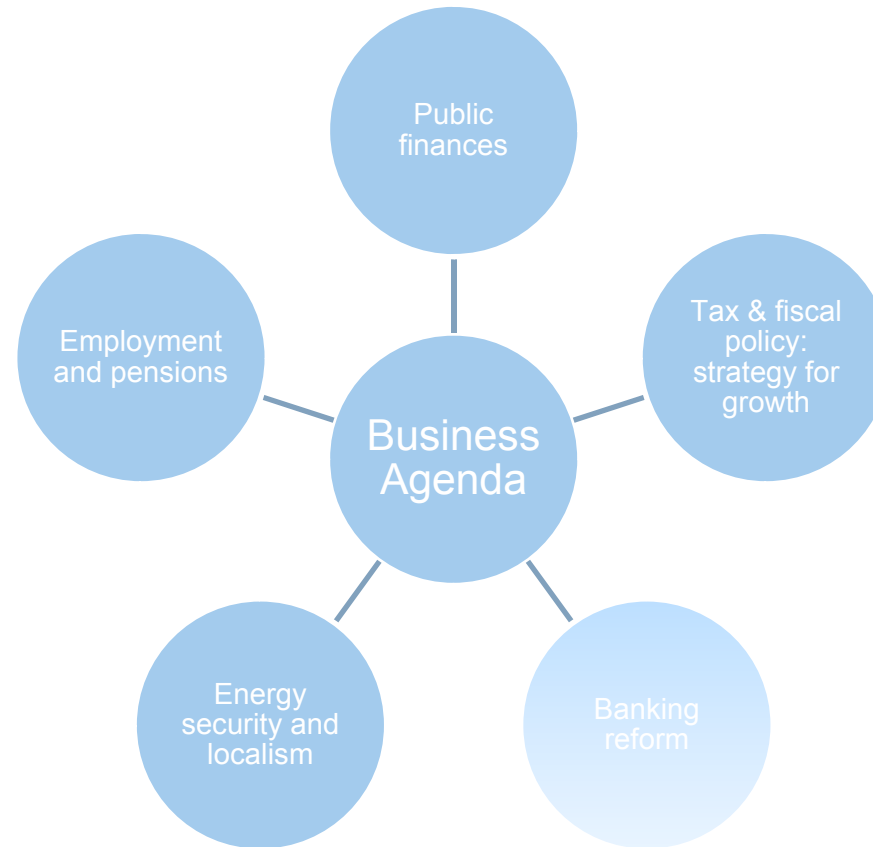
- **Banks**

- Bank levy
- Commission: retail & investment banks
- Competition
- Supervision and regulation

- **Europe**

- Commitment not to seek to join the euro
- Referendum on any transfer of power to Brussels

# The business agenda



- **What are the critical risks & opportunities for business from the new government?**

# 1) Public finances and services



## Issues to watch...

- Accelerated reduction structural deficit
- £6bn additional savings 2010-11
- Credibility – long-term delivery
- Identified savings (reductions to the Child Trust Fund and tax credits for higher earners; ID cards)
- Tackling public sector pay
- Protect those on low incomes
- Involvement of the private sector in public service delivery.....unclear

## CBI priorities...

- Budget balance of 2015-16; lower trajectory for overall spending
- Reforming public services critical part of restoring the budget to balance
- Efficiency savings not enough – re-engineering delivery is needed
- The new government should:
  1. Apply the brake to make immediate cost savings
  2. Ensure every pound is spent well and not a penny wasted
  3. Re-engineer public services now to realise savings in the short and medium terms

## 2) Tax & fiscal policy

### Issues to watch...

- Office Budget Responsibility; emergency budget in first 50 days
- Spending review in the Autumn
- Corporate taxes: headline rate / allowances
- National Insurance
- Capital gains tax proposals
- Personal taxes: lower & middle incomes

### CBI priorities...

- Establish competitive business taxes by:
  - Reduce obstacles to growth, investment and employment
  - Reconsider damaging tax increases, such as the increased tax burden on mobile wealth creators and the employers' national insurance increase; maintain the R&D tax credit
  - entrepreneurial behaviour should not be disincentivised
  - radical reform of the business tax system is needed to take proper account of globalisation and enhance the UK's international competitiveness
- Reduce the overall business tax burden in the medium term

## 3) Energy security and localism

### Issues to watch...

- Energy
  - Low carbon
  - Nuclear
- Planning
- Business Rates
- Major Infrastructure
- RDAs

### CBI priorities...

- Energy security
- Balanced energy mix
- Speed up planning process
- Low carbon economy

## 4) Banking reform






### Issues to watch...

- Commission: retail and investment banking
- Unilateral action on bank levy
- Competition
- Supervision and regulatory arrangements
- Action on bonuses

### CBI priorities...

1. Better management of systemic risk
2. Ensuring banks are in a position to finance the economic recovery
3. Maintaining the UK's position as a leading global financial centre

# Foreign policy & International Relations

- Europe 
- US 
- China 

# What next?

- Parliamentary timelines:
  - 18 May Parliament re-opened
  - 18 May Election of speaker (Bercow re-elected)
  - 19-24 May Swearing in of MPs
  - 25 May Queen's speech
  - 9 June Election of select committee chairs
  - 22 June Emergency budget
  
- Further ahead:
  - Comprehensive spending review
  - Party conference season

## ***THANK YOU***

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