Baroness Shriti Vadera,

Minister for Economic Competitiveness and Small Business (jointly with Cabinet Office)

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I want to applaud David and his team for running the BCC as such an effective voice for small businesses. I've found being on the receiving end of that compelling, if not always comfortable.

It's of course an honour to share a platform with Ken. Although I'm not a veteran politician like him, I think we both have a habit of speaking our mind, even if it gets us into hot water.

The key to recovery is in this room: with business, especially with small and medium sized enterprises. As your advocate in government, I am very proud of what you have achieved in the last decade. As David rightly said last week, the reality is that over the next decade the biggest driver of jobs and wealth creation won't be public spending. It'll be business growth. Your business's growth.

And that's why I've spent the last year worrying about the same things that worry you.

Will your supply chain, order book and export market hold up? What is the bank going to do to your loan or overdraft? Is your buyer going to change your terms of payment and mess up your cashflow? The things that in the last year have made the difference to businesses getting through these difficult times.

So, I get it, believe me. I get that it's been really tough. And I get that it's our job to do everything we can for you. That is why I am in this job.

I know some of you have been frustrated by the focus the banks have required practically and financially. Frankly, given the number of weekends I've spent locked in the Treasury in seeming mortal combat with them, so am too sometimes. But if we don't fix the banks, we can't fix anything else. Finance is the lifeblood of small businesses and small businesses are the lifeblood of the economy.

At the end of the day, nothing can sensibly substitute for the £590 billion pounds that the banking system lends to businesses. And as Mervyn King has said, what we did was not designed to protect the banks, but designed to protect the economy from the banks.

Our focus has been to ensure the banks have sufficient capital and liquidity and then to ensure they use it to lend. We now have, from the main banks, commitments to increase net lending to businesses this year by £36 billion. And at least £8 billion of that is earmarked for small businesses. Two of these commitments are legally binding – the first of their kind in the world.

Banks will of course adjust their assessment of the riskiness of a business in the current climate. But the message they should all be giving you is that they are open for business and ready to lend to creditworthy propositions.

And if they are not, I want to hear about it. With specifics.

Alan Dickinson is here and will be speaking shortly. As I think he will testify, I am not above ringing up and harassing bank chief executives. And I will work with the BCC, and with your representative Steve Hughes on the Small Business Finance Forum, to hold the banks to account.

In addition to these efforts and the targeted measures from the Pre Budget Report last year, we have added new support in this budget – in no small part in response to the BCC's efforts.

From Friday, as part of the Working Capital Scheme there will be up to £5 billion of matching trade credit insurance for businesses that have had their cover reduced.

In addition to the money you mentioned, David, for UKTI to help promote your exports, we will also consult on whether we should support letters of credit, which are crucial for working capital for exports.

We have further extended the carry back losses for another year, to support cash flow.

We have doubled capital allowances to 40% for a year to encourage companies to bring forward their investment.

Importantly for the West Midlands, and manufacturing, we have also taken targeted action to help the auto sector. We will provide £300million in matching funds with carmakers for a scrappage scheme which - as David said last week - will be a lifeline to the supply chain, the dealer network and the industry.

I understand David's concern about the equalities legislation. But I would like to clarify that it allows us to require companies to report on gender pay gaps only after 2013, so you don't have to be distracted by it now, and only if we find voluntary arrangements are not working. And because we know that the burden of regulation falls disproportionately on SMEs, it will not apply to firms with less than 250 employees. I should also say, that the gender pay gap contributes to women's reduced participation and loss of skills to the economy, which is estimated to cost 1.3-2% of GDP.

I also know the decision to raise the top tax rate for the highest-paid 1% of the population isn't popular with those who have to pay it.

As the Chancellor has said, frankly, no one likes to raise taxes. But these are exceptional circumstances. It is responsible and fair to ask those at the top to contribute to increased investment now, and help the whole country recover as quickly as possible.

The alternative, and there would have to be an alternative – higher taxes on businesses would hamper our economic recovery, or higher taxes on families on modest or middle incomes would be less fair.

But I hear what David says about international competitiveness and I assure you we will never be complacent about ensuring we remain, as we are today, amongst the best places in the world to do business. That's not just me saying it – it's also the World Bank, which consistently ranks us among the top performers. We will continue to do whatever is necessary to equip Britain to succeed in the global economy.

It's really important, as David has vividly illustrated, that we see the recession in a global context. This is a global crisis of credit and demand. One in which the UK is still looking at a less steep contraction than some others in the G7; perhaps a percentage point less than Germany. And a faster return to growth than both the G7 and Eurozone average.

And while we all focus to reduce our indebtedness, the IMF agrees that the UK, because it started in a relatively strong position, will continue to have net debt significantly below the advanced economy average, which the IMF says is going to be about 110 percent of GDP.

I cite these comparisons not because I'm trying to diminish the problems we face or to score political points. But because if we misdiagnose the cause of the problem, we risk mis prescribing the solutions.

First we have to remember that our contraction is being driven by a global contraction. A 4% overall fall in developed economies in 2009 and a very big slump in world trade – maybe 8%.

Recovery will not be possible while world trade is shrinking. That's why the Prime Minister focussed so hard on the London Summit and the G20 process. To enable an agreement on the global flow of funds: to finance trade, to replace the international capital flows that have dried up, and to boost demand globally.

And the second reason to remember the global context is that the debate about public finances is about choices. Tough decisions that have to be quantified. When we make these choices we have to remember that the same difficult choices are also being made in the capitals of our global competitors Washington, Berlin, Tokyo, Paris and even Beijing.

Running through the budget and the rest of what the government has done is a conviction that you can't just cut your way out of recession.

Paying down our debt is vital, absolutely vital. But it is wrong to suggest that's Britain's only challenge.

Because our biggest challenge is to return to growth and compete globally. That is essential for everything else, including macroeconomic stability. That means, as David said, enhancing our skills base, our innovation and our infrastructure, including transport and digital communications.

We can't afford to reach the point at which global demand begins to recover and discover that we have no gas in the tank. So even now, we have to invest strategically to grow.

That's why this budget contained a robust strategy on long term debt reduction, rigorously costed public sector savings and a clear package of investments in future capacity.

As Peter Mandelson set out in the 'New Industry, New Jobs' paper a week ago, we need a strategic approach to Britain's competitiveness and a future as a mixed and balanced economy.

The £750 million Strategic Investment Fund created by the budget will help us invest in commercialising new technologies that will define the 21st century. Low carbon industries will be central, so a quarter of a billion will go to low carbon technologies.

And in recognition of the key role of enterprise we are looking to create a new version of the old ICFC, which some of you might remember, that later became the 3i. A public private partnership for providing risk and growth capital for growing companies for the recovery.

And we accept the skills challenge that David has set out. We need both to simplify and to specialise to meet businesses' skills needs. And we are already starting to deliver. From April 1st, there is a single brokerage service for businesses seeking to access help on skills. And Mike Rake will be providing further recommendations for radical simplification in the autumn which we will respond to without delay.

And before the summer John Denham will set out an approach to skills which will focus more on specific gaps and the need to compete internationally. For example, ensuring that young people have the science, engineering and technical skills for low carbon technologies.

Others are investing in their strengths and we have to invest in ours. Of course we have to keep a hard eye on the bottom line. But we also have to keep an eye on the horizon; on the future and on our future strengths.

So we need the public finance efficiencies, but we also need the confidence that begins to rebuild growth.

In conclusion I would reinforce David's message that the road to recovery will be international, not just domestic. The return to growth needs investment in our capacity to compete. And needs confidence, not cuts.

My personal focus is to keep delivering for small and medium sized businesses, so you can stay ahead of the pack, creating jobs and wealth for yourselves and so for Britain.

The attitude I've always had in government is that we have to see the world the way you see it.

Recognise what regulation can mean to small firms, even when it's worthy.

Recognise how much you depend on quality staff and infrastructure, and a simple-to-manage tax code.

Recognise that you want a government that helps when it can - and gets out of the way the rest of the time.

To see things the way you do is the most important part of my job. I know this is going to be a difficult year, and we will continue to listen and to do everything we can to support you through it.