

Speech by David Gauke MP - Oriental Club, London - October 14 2008

BIPARTISAN POLITICS

It is a great pleasure to speak at this evening's event. As you know my colleague, Mark Hoban, was due to be here this evening but is currently taking part in the debate on the Second Reading of the Banking Bill – an issue on which the major political parties are able to work together.

Employee ownership is a similar such issue – I hope this is not going to be too habit forming.

Only this week, the Chancellor stated in the House of Commons that 'anything that ties the interests of senior management to the long-term health of a company must be a good thing'. That was in the context of share bonuses for senior executives of partially nationalised banks – perhaps there is room for some controversy after all?

And if we do all support greater employee share ownership, perhaps the abolition of CGT taper relief was not the smartest idea?

But let me leave aside such partisan comments.

SUPPORT FOR EMI & THE SHARE INCENTIVE PLAN

Broad based employee ownership, such as the Centre has been promoting for 20 years, comes out with a clean bill of health, improving productivity and aligning the interests of shareholders and employees.

We support moves to encourage this, including the measures brought in by this Government, such as bringing in two new schemes; EMI which has been the most successful scheme of all time for the smaller business and the Share Incentive Plan, which gave a boost to the employee share ownership sector even if the element of buying shares looks, with hindsight, somewhat misplaced.

OTHER SCHEMES

But let me say a little about other schemes because I know there is a feeling that some of these other schemes have been neglected.

Before I do so, let me stress a point without which no speech from a Shadow Treasury Minister is complete. The fiscal situation the country faces at present – and will face immediately after the next election – is dire. There is very little room for spending increases, tax cuts or new or expanded tax reliefs or exemptions.

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I would acknowledge that the argument for a particular relief or exemption becomes stronger when it can be drafted to be both effective and tightly focused. And we appreciate the valuable work that the Centre has undertaken to ensure that legislation does just.

We also acknowledge that, in the attempt to encourage greater employee participation, much can be done by achieving great flexibility in how a scheme works. One example is Sharesave. I welcome the Centre's call to refresh Sharesave by allowing greater flexibility in payments. In a period where most of the British public has been saving very little or nothing, a scheme which has enabled an estimated two million people to build up a nest egg of shares has much to be said for it.

CHALLENGES

A challenge for the industry has been the growth of private equity and sovereign wealth funds which has put hundreds of thousands of employees out of the reach of share schemes. We recognise that it is time to look again at how these sectors, and their employees, can benefit further from employee share ownership plans. I know that my colleague, Mark Hoban, has been in discussion with Malcolm on this and other matters.

But there are many urgent matters which mean that the Centre must engage with the current Government. Like ourselves, but perhaps in a different sense, the Centre can't wait for a change of Government.

I am pleased that the Centre is already working with BERR and the Treasury on a range of matters. This includes ensuring that employees' shavings are fully protected as well as the matters mentioned previously.

I know you have been affected too by the new accounting standards and that you are calling for them to be mothballed at least for small business. Until recently you were a voice in the wilderness; now we hear banks wanting exemption from some aspects of fair value accounting, as well as David Cameron highlighting the difficulties mark to market can cause in the current environment.

So I congratulate the Centre on its effectiveness. And, despite the recent difficulties for the stock market and the challenges facing the economy, there is reason for optimism for share ownership schemes. Shares will always provide the corporate glue for the big company; for the small company options will always be cheaper than cash.

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INTERNATIONAL

This is a case that can be made both for the UK but for the rest of the world.

The Centre has taken the vision of greater world and European employee share ownership to conferences in Cannes and Davos each year – and let me know if you are ever looking for speakers at these conferences - and I commend your efforts to take the message to the Gulf. There we have countries which are becoming major players in our markets who are at the same time developing their governance and their corporate concepts.

Pioneering is never easy but someone has to do it and if we do not expand we shall retrench.

British multinational companies have been exemplary in spreading their concept of share ownership worldwide. Wider share ownership meets land of hope and glory; you could call it, a useful counterpoint to our cultural work abroad.

THE AWARDS

I know the Centre has for some years given awards to companies which have had exemplary plans in a number of EU countries. These awards have been made at your Cannes conference and at the hands of your genial chairman but tonight I have been asked to give more formal recognition to the event and to the winners. In addition, I understand that for the first time the fast growing Esop Institute has named a student of the year and that Mike Kemsley of Cyril Sweett plc, who is on the academic committee of the Institute, has donated a Mont Blanc pen as the prize. It almost makes me want to start studying again.

So now I shall ask Fred Hackworth your international director to join me on the platform. He is also the editor of your newspad and he has asked me to tell you that we are taking a leaf here out of the book of American politics. In Congress you don't actually have to deliver a speech: it can be just read into the Congressional record. In the same way I am sure both winners and listeners will be pleased to know that any thank-you speeches which might have been made here can equally be read into the newspad record.

Ten words will be the limit.....and we shall think of a prize for the wittiest ten words.