

GENERAL ELECTION

How will the parties' policies affect retail?

The manifestos are out and the parties are ramping up their campaigns ahead of the May 7 vote. **Caroline Baldwin** asks industry experts which Conservative and Labour policies will have the biggest impact on retailers and the environment they operate in

The outcome of the 2015 general election is hard to call and another coalition government looks more likely by the day. But what does it all mean for retail, and what would be the best result for business?

A delve into the Tory and Labour manifestos reveals that on many points the parties are surprisingly similar.

Conlumino global retail director Maureen Hinton notes how both manifestos are nebulous. "You can't get hold of the substance of it and how it'll be paid for – it's more like aspirations with get-out clauses," she says.

She says for retailers and consumers it is good that VAT will remain untouched, but pressure on businesses to address low pay is increasingly looking inevitable as the 'living wage' movement gains momentum.

"Europe is going to be more of an issue for retailers than anything," she adds (see box). "It will make things more complicated and an exit would make trading with Europe much more difficult."

Overall though she thinks that after the election it is going to end up being "business as usual".

The hung parliament effect

Polling data points to the prospect of another hung parliament and a coalition administration. Hinton says retailers should be concerned that any uncertainty around how a new administration affects economic growth could impact consumer confidence.

Whatever the political hue of those wandering the corridors of 10 Downing Street, once polling day is done, Labour or the Conservatives will be the dominant force. *Retail Week* asks Hinton which of their policies will be best for the industry.



"Europe is more of an issue for retailers than anything"

Maureen Hinton, Conlumino

Corporation tax

Conservatives Keep rate at 20%.

Labour Be the most competitive in G7.

"The Conservatives brought corporation tax down in the last few years and it's now the most competitive in the EU, but Labour is saying it would be the most competitive in the G7, which would give it the option to put it up to 26.5%," says Hinton.

Best for retail Conservative

Business rates

Conservatives Overall review but keep discount for small business.

Labour Cut and freeze rates for small businesses (affecting 1,500 properties).

"Labour's 1,500 properties plan is a bit disingenuous, it could be only six businesses that own those properties," says Hinton. "But the Government makes so much money from business rates it is not likely to make a big slash against that, while helping smaller retailers makes it look good, but doesn't have a big impact on revenue."

Best for retail Equal

Energy and infrastructure

Conservatives Promote competition to keep energy prices down, invest in road network, broadband, HS2, airport expansion.

Labour Freeze energy prices until 2017, invest in broadband, HS2 and a "quick response" to airport expansion. Hinton says: "Labour came out slightly better for energy because this should keep prices down and would help retailers know what their expenses are, but it will probably affect smaller



Homes

Conservatives 200,000 starter homes. Right to buy.

Labour 200,000 new homes per year. Public sector building.

"Homes are a key driver of retail," says Hinton. "If more people are buying homes, they need to furnish them and put big-ticket items in them – that will be useful for retail."

"And because homes have been very unaffordable for first-time buyers, starter homes make a big difference."

"But the Conservatives touted 200,000 houses, whereas Labour said 200,000 houses per year, which over four years would be a lot more. Labour also said it would encourage the public sector to get involved in building homes."

Best for retail Labour

Wages and tax

Conservatives No tax on minimum wage. Allowance increased to £12,500. No change in VAT/NI. Further steps to eradicate 'exclusivity' in zero-hours contracts.

Labour £8 min wage. New 10p lower tax rate. No change in VAT/NI. Ban zero-hours contracts. Introduce tax rebates for businesses that sign up to the living wage.

"Both parties are in favour of raising the minimum wage, and both have an aspiration of £8 per hour by the end of parliament," says Hinton.

"The Conservatives say you wouldn't pay tax if you worked 30 hours on minimum wage – but you wouldn't pay tax anyway as you wouldn't meet the £10,600 threshold. This is very ambiguous. Is it on top of personal allowance? It's very vague."

"If wages increase, retailers will need to think about how to reduce headcount and make business more efficient with technology, or for instance with heavy machinery. In car manufacturing, it's much faster and efficient compared with a workforce, continually paying more and more."

Best for retail Conservative – just – for their allowance increase

The EU is the elephant in the room



Tom Leman, head of retail and consumer at law firm Pinsent Masons, argues that the main party manifestos

are all very similar, making it hard to distinguish one party from another.

"It's because their hands are tied when it comes to spending policies – they all agree they have to get rid of the deficit, so they can't give away too many spending promises," he says.

He argues the biggest thing that differentiates Labour and the Conservatives – the "elephant in the room" – is the EU, but he notes that neither are focusing enough energy on the subject.

"It's a very populous policy, which Labour is probably too frightened to talk about. And the Conservatives also don't want to talk about it too much from a business perspective – it's not a great idea for business to be pushing us towards an EU exit."

"That's why I don't think people are discussing it openly," he says.

While the Conservatives promise a referendum on the EU by 2017, Labour says there will be no referendum unless there is an attempt to take more sovereign powers away from the UK to give to Europe.

"Perhaps surprisingly Labour is coming out more pro-business on the EU issue than you would expect and this is an obstacle for the traditional Conservative-supporting business leaders," he observes.

retailers more than big ones who can negotiate good deals with suppliers.

"The Conservatives have a much more set policy on infrastructure, such as improving roads, and they seem to have a quite detailed policy."

"Both mentioned the HS2 and high-speed broadband, which in this

day and age is needed. Meanwhile, Labour said it would give a quick response to airport expansion – which could mean it might say 'no', and Conservatives said there was a need for expansion."

Best for retail Labour for energy, Conservative for infrastructure