PREM 19/1539

PART 4

CONFIDENTIAL FILING

Meetings with the CBI
Correspondence on the Governments Economic Strategy

INDUSTRIAL POLICY

Pt 1: MAY 1979
Pt 4: NOVEMBER 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~8.11.83~~		5/12/84.					
~~9.11.83~~		~~2.12.84~~					
~~3.4.84~~		~~21.1.85~~					
~~4.4.84~~		~~23.1.85~~					
~~11.4.84~~		~~29.1.85~~					
~~12.4.84~~		~~14.2.85~~					
~~21.5.84~~		~~11.3.85~~					
~~25/5/84~~		18.3.85					
~~31.5.84~~		ENDS					
~~12.9.84~~							
~~13.9.84~~							
~~20.9.84~~							
~~21.9.84~~							
~~3.10.84~~							
~~9.10.84~~							
~~24.10.84~~							
~~25/10/84~~.							
~~2.11.84~~							
~~8.11.84~~							
~~22/11/84~~							
~~26/11/84~~							

PREM 19/1539

PART 4 ends:-

Note on CBI Study undated

PART 5 begins:-

AT ∞ PM 5.6.85.

MJQ AGM

CBI STUDY

The CBI have published today the document entitled "Change to Succeed". You may have quoted at you one or two sentences from Sir James Cleminson's foreword such as "We must accept that if the (free enterprise) system cannot find ways of ending the blight of unemployment in this country ... then its validity is in question". Or, alternatively, "Continued decline would mean social upheaval, increased bitterness, decay in all change and even a move back towards violence of earlier societies". You might in response to this quote a number of other points from the CBI document such as:-

"A revival of enterprise has occcurred .... new and small businesses are increasing in numbers and the number of self-employed is growing rapidly."

"Containing the level of public spending will help to maintain democratic values. Experience indicates that resources would be more efficiently allocated in the private sector than in the public by containing public spending, and in its turn, public borrowing, the burden of taxation could be brought down."

"There is increasing evidence - for instance, a World Bank report in 1980 - that countries with low taxes perform significantly better than countries with high taxes."

"Our ability to adapt to change would be improved if present over-reliance on public provision could give way to greater private self-reliance."

"The long term answer (to unemployment) lies in achieving soundly based economic growth reflecting increased competitiveness and improved company performance."

CF? Ask Mark. NO. jg

NATIONAL
T·E·L·E·C·A·B·L·E
19 Stratford Place London W1N 9AF Telephone: 01-493 8388
Telex: 291429 Electronic Mail: 81:NNG 019
Fax: 01-493 8280

18th March 1985

NUGA.

Mr Mark Addison
Private Secretary to the Prime Minister
10 Downing Street
London

Our ref: 85-03083

Dear Mr Addison

Thank you for your letter of 11th March and please thank the Prime Minister for her interest and encouragement.

I look forward to hearing from the Department of Trade and Industry in due course.

Yours sincerely

Malcolm J Matson
Chief Executive

IND. POL: CBI : PE 4.

RAMAHD

FILE

cc: HO
DTI

10 DOWNING STREET

11 March, 1985

From the Private Secretary

The Prime Minister has asked me to thank you for your letter of 7 February about your proposal for a Broadband Network Construction Loan Guarantee Scheme. She is sorry you did not receive an acknowledgement to yourletter.

The Prime Minister has asked me to assure you that there is no lessening of Government interest in cable and the Minister of State for Information Technology is currently taking the opportunity of publicly emphasising the benefits that will flow from the expansion of cable. She was particularly interested in this context to learn of the significant initiatives you are taking to push forward its development.

As the Prime Minister said to you in her letter of 26 November last year, the role of Government is to establish a favourable climate for cable so that companies can take full advantage of the opportunities that are being created by the advance of technology. The Government has always taken the view that cable should be privately financed and market-led. On the face of it, your proposal for a Loan Guarantee Scheme would seem to run counter to that policy. The Prime Minister has, however, asked the Department of Trade and Industry to explore your proposals on her behalf, and to get in touch with you in due course.

(Mark Addison)

M J Matson, Esq.

GR - for typing pl.

We should send DTI a copy of the letter to Mr. M when it is sent so that they are reminded to take the necessary follow-up.

Mark

11/3/85

Here is the attached correspondence received from Malcolm Matson & draft reply from DTI. David Barclay's letter of 14/2/85, which you wanted to see, has been discovered on this file - due to earlier correspondence with the CBI! (at flap).

Mark.

NATIONAL
TELECABLE
19 Stratford Place London W1N 9AF Telephone: 01-493 8388
Telex: 291429 Electronic Mail: 81:NNG 019
Fax: 01-493 8280

6/3

5th March 1985

The Rt. Hon. Mrs. Margaret Thatcher, MP
10 Downing Street
London
SW1

Our ref: 85/03059

Dear Prime Minister

Having received no acknowledgement of my letter to you dated 7th February on the subject of cable television and British Telecom, I wonder whether it was received. I would much appreciate confirmation of this and although I appreciate that the letter does not warrant a reply, I am anxious that its contents should be brought to the attention of ITAP and others particularly concerned with the subject matter.

Thank you for your kind attention.

Yours sincerely,

Malcolm J Matson
Chief Executive

National Telecable Management Limited
Registered Office: 16 Black Friars Lane London EC4 Registered in England No 1827690

Meetings with CBI: INDPOL Pt4.

Bo 7B
Gene Nixon

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JF7686

PS/ *Secretary of State for Trade and Industry*

4 March 1985

Mark Addison Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Mark,

David Barclay's letter of 14 February to Christine Heald at the Home Office requested advice and a draft reply to Mr Malcolm Matson's letter of 7 February to the Prime Minister. We have agreed with the Home Office that this Department should take the lead and I now attach a self-explanatory background note together with a draft reply to Mr Matson. Mr Matson's letter contains a number of misconceptions, to which it would be inappropriate for the Prime Minister to respond in detail. We have, therefore, as you suggested, kept the draft reply brief but leaving the door open for this Department to send a more detailed response or hold a meeting with Mr Matson in due course.

Yours sincerely,

Andrew Lansley

ANDREW D LANSLEY

Encls

999-1

LETTER DATED 7 FEBRUARY FROM MR MALCOLM MATSON, CHIEF EXECUTIVE OF NATIONAL TELECABLE, TO THE PRIME MINISTER ADVOCATING THE ESTABLISHMENT OF A BROADBAND NETWORK CONSTRUCTION LOAN GUARANTEE SCHEME

Background

Mr Matson's letter addresses 4 main points:-

(i) that the Prime Minister should make an early statement confirming the Government's commitment to cable. The Minister for Information Technology, Mr Pattie, will be taking the opportunity to make such statements during two of his forthcoming engagements. Good news is still scarce in the cable industry but we expect the situation to improve as the year progresses and perhaps the Prime Minister would consider saying a few words about cable at some future point if a suitable opportunity arises;

(ii) that the Government should establish a "Broadband Network Construction Loan Guarantee Scheme", whereby the Government would guarantee to banks and leasing companies a major proportion of the loan required to finance network construction. This runs counter to the Government's policy that cable development should be privately financed and market-led. We have always said that there would be no special Government assistance to the cable industry which is not available to other industries;

(iii) that British Telecom should give a binding undertaking to acquire the networks of any cable operators who did go out of business. This idea is unworkable for a number of reasons. There can be no a priori assumption that an abandoned network would be of interest to BT and we have no powers to elicit a binding undertaking of the kind referred to. BT is now in the private sector and the prospectus made it clear that the Government did not intend to use its rights as an ordinary shareholder to intervene in the commercial decisions of the company;

(iv) that cable operators should not be driven into collaboration with British Telecom by a requirement to submit detailed plans for voice telephony services in their applications to the Cable Authority. The Department of Trade and Industry is currently considering the question of BT/Mercury involvement in cable but nothing can be said on this issue at present. The policy remains as set out in the Cable White Paper namely that BT and Mercury retain the exclusive right both to link local cable systems and to provide voice telephony services on local systems. However Mr Matson will be reassured by the statement in the guidance notes which the Cable Authority will be issuing to its first applicants very shortly that there will be no obligation on cable operators to provide voice services.

Department of Trade & Industry 1 March 1985

DRAFT

M J Matson Esq
Chief Executive
National Telecable
19 Stratford Place
LONDON WIN 9AF

RANLAND

The Prime Minister has asked me to thank you

1 ~~Thank you~~ for your letter of 7 February about your proposal for a Broadband Network Construction Loan Guarantee Scheme, ~~and to apologise~~ She is sorry you did not receive an acknowledgement to your letter.

The P-M has asked me to

2 ~~First of all, may I~~ assure you that there is no lessening of Government interest in cable and the Minister of State for Information Technology is currently taking the opportunity of publicly emphasising the benefits that will flow from the expansion of cable. ~~I~~ She was particularly interested in this context to learn of the significant initiatives you are taking to push forward its development.

the P-M her

3 As ~~I~~ said to you in ~~my~~ letter of 26 November last year, the role of Government is to establish a favourable climate for cable so that companies can take full advantage of the opportunities that are being created by the advance of technology. ~~We have~~ The Government has always taken the view that cable should be privately financed and market-led. On the face of it, ~~Your~~ proposal for a Loan Guarantee

Scheme would ~~appear~~ seem to run counter to that policy.
The Prime Minister, however,
H~~owever I have~~ asked the Department of Trade and Industry
to explore your proposals on ~~my~~ your behalf, and to get in touch
with you in due course.

PRIME MINISTER

Meetings with CBI : IND. POL Pt6

Malcolm MATSON 7/3

File

10 DOWNING STREET

From the Private Secretary

14 February 1985

Dear Christine,

I enclose a copy of a further letter to the Prime Minister from Mr. Malcolm Matson, the Chief Executive of National TeleCable. You will recall that the Prime Minister wrote to Mr. Matson, on your advice, on 26 November 1984.

I should be grateful if you could arrange for advice to be submitted on his latest letter, in consultation with the Department of Trade and Industry. Subject to your views, I would have thought that the reply from No. 10 should be relatively brief, and that Mr. Matson's detailed points should be pursued by the appropriate Departments.

May I please have your advice, and a draft reply by Thursday 7 March.

I am sending a copy of this letter and enclosure to Andrew Lansley (Department of Trade and Industry).

Yours ever,

David

DAVID BARCLAY

Mrs. Christine Heald,
Home Office.

NATIONAL TELECABLE

CW6

60?

19 Stratford Place
London W1N 9AF
Tel: 01 629 9999

7th February 1985

The Rt. Hon. Mrs. Margaret Thatcher, MP
10 Downing Street,
London SW1

Dear Prime Minister,

Thank you for your letter to me of 26th November 1984 on the subject of cable TV to which I felt a reply was not required at the time. I particularly appreciated your statement of conviction about cable contained in the last paragraph of your letter. Being thus reassured of your commitment that the development of broadband cable in the UK should continue in accordance with your Government's policy and knowing that you have recently requested ITAP and the Cable Authority to assess the extent of this progress, I am writing to you now with what I trust will be regarded as constructive personal suggestions on the matter. I offer these comments to you largely from the investment banking perspective I have had of the industry for the past two years. I am also a director of Aberdeen Cable Services Ltd. (one of the successful 11 pilot licencees) and together with two other cable entrepreneurs (Patrick Scott, Chief Executive of Aberdeen Cable Services Ltd. and Michael Davis, Chairman of Windsor Television) have formed National TeleCable Management Ltd. This company is committed to developing cable and telecommunications companies in various locations throughout the UK to exploit the opportunities provided by the recent legislation and the deregulated telecommunications environment.

The delays in issuing the licences and the change in capital allowances (which is certainly in the best longterm interest of cable) have resulted in many would-be corporate investors quickly retreating from this capital intensive 'sunrise' but unproven industry.

When this dwindling of investor commitment in many of the 11 successful applicants began to take place, they tried to fill the gaps left in their capital structure by seeking new sources of funds - either debt or equity. Clearly some level of debt financing would be attractive in that it would increase the projected ROI (much needed by this time) and so everyone has tried hard to secure debt/lease finance. All the 'cable serious' Banks (many of them US) were more than ready to lend, but while feeling relatively comfortable with the longterm prospects for the industry (having discovered an early caution to the US industry to be ill founded), were clearly very uncomfortable with the covenant of the borrowers

- nearly all new enterprises with no track record. The only way round this was for these banks to require joint and several guarantees from the existing shareholders in the cable operating companies which was equivalent to asking them to increase their equity. This defeated the objective and it threw the consortia companies back to seeking fresh equity investors. By this time, potential corporate investors had almost totally dried up (for the reasons we all know only too well) and news of this led to increasingly bad press and an almost total halt on cable investment by financial institutions. This downward spiral of confidence has led to the current situation in which the industry finds itself and which has resulted in several of the interim licencees finding great difficulty in proceeding.

The question must be whether this situation has resulted from a fundamental incompetence on the part of the industry (i.e. it has already proved itself to be no more than a lame duck and worthy of being treated like one) or whether this young industry needs further temporary practical support if it is to be successful in achieving your Government's objectives of changing the face of the telecommunications industry in this country and contributing to the successful exploitation of I.T. I believe the cable industry has already accomplished much and against huge opposition and entrenched interests - most of which are predisposed to hope that tomorrow will be very much like today and have the weight and influence to go a long way to ensuring that it is. We in National TeleCable and many others in the cable industry are committed to successfully achieving the change your policy seeks to effect.

If your Government continues to believe that the cable industry can be a fundamental element in the structural change and growth of the economy and society as we move towards an I.T. age (and we most certainly do) then it is surely now appropriate to devise an acceptable means of assisting the industry to overcome the serious short-term obstacles it is now facing in achieving this goal. While there is no explicit evidence that your Government no longer regards the successful development of cable to be a vital part of a broader I.T. strategy, recent Ministerial comment has done little to convince either those inside or outside the industry, who are wavering in their confidence, that your Government has not abandoned the 'ITAP' view of cable's future. The very real benefit to the industry of an early clear statement by yourself, confirming or otherwise this commitment, would be considerable. As a result of your kind letter to me of 26th November, I have no such doubts myself. I want others to hear the same good news.

In terms of what Government action is now appropriate and necessary, I would strongly advocate the establishment of a 'Broadband Network Construction Loan Guarantee Scheme'. Under such a scheme the Government would guarantee to Banks and leasing companies a major proportion of the loan required to finance the network construction. The strategically important industry of cable would thus be strengthened in much the same way that the strategically important economic sectors of 'exports' and 'small business' are aided by ECGD and The Small Business Loan Guarantee Scheme. As with this latter scheme, the Banks would have to agree that the proposition was bankable despite any perceived lack of collateral or track record. I believe that in a well managed cable operating company, this guarantee would not be called. In the rare case where it was, the expenditure would have been incurred on a valuable 'national asset' which if not of immediate use to another cable operator, would certainly be of value to BT who could acquire the assets at cost. Such an arrangement might avoid any increase in the PSBR. A binding undertaking from BT to make such acquisitions should not be difficult to secure since they have already concluded not dissimilar arrangements with those independent cable operators with whom they are associated. The Scheme would be of most value to the industry if instituted swiftly, in time for the forthcoming round of franchises. Indeed, I would suggest that such a scheme might only be necessary for the forthcoming round of franchises (plus the current Interims) since I would hope that, within a year, the performance of some early licencees will have demonstrated beyond doubt the demand for services which, in turn, will convince lenders and investors that broadband networks are a high revenue generating asset. The scheme should be reviewed on an annual basis and could be administered by the Cable Authority as part of the franchising process. The award of the Licence would qualify the company to apply for the loan guarantee.

The other very real contribution that such a loan guarantee scheme would make to achieving your Government's long term objective of increasing telecommunications competition, is that it would permit new cable companies to be formed independent of British Telecom and Mercury. This is of major importance. In the present climate and in the absence of a loan guarantee scheme such as I propose, British Telecom (and now I understand Mercury) probably represent the only means for a would be operator to solve his funding problem. With BT's involvement cable operations require a 3 million rather than a 30 million pound investment by the operator!

However, I believe that the price that the industry and your Government have to pay for this could be very high. The reason why BT is willing to 'lend' its covenant to an operator in this way is that BT, beyond anyone else, needs to be involved in cable - for defensive reasons. As a monopoly entering a de-regulated environment, there is only one way for BT's market share to go. Cable operators are potentially one of the most effective vehicles for eroding British Telecom's current PSTN market share. I believe that if your Government fails to take steps similar to those I propose above, it will effectively be discouraging competition by forcing the 'minnow' new competitor into the arms of the 'defensive monopolist'. It is no good looking to Mercury for help for they too, I believe, now realize that de-regulation and the potential competition from cable operators is not as attractive as trying to consolidate the current quasi duopoly. Since such a relationship with BT or Mercury is currently concluded prior the award of the telecoms licence to the potential operator, his recource to OFTEL will be limited and unlikely to yield positive action in the timescale set by the Cable Authority for the determination of applications.

The Loan Guarantee Scheme would certainly free the cable industry from British Telecom which is currently the only available 'banker' to the industry. That still leaves the 'collaboration for voice services' issue to be addressed. One matter with respect to BT that would be helpful to consider now is the vital issue (for a cable operator) of 1989 and the lifting of restrictions on resale of circuits. Several would be investors in cable still fear that OFTEL, or whoever, will not have the means of enforcing BT's sale of capacity on competitive terms at that time.

I see the potential here for a Catch 22 situation to develop whereby the lifting on the restriction of resale of circuits in 1989 has little effect because, between now and then, British Telecom (and Mercury) may effectively kill during pregnancy the very organisms that would have been best placed to exploit circuit resale. As many cable operators are driven into BT's arms for the financial reasons stated above (and in my opinion most will be unless there is some other source of financial guarantee), British Telecom is still able to dictate the commercial terms it 'negotiates' with those embryonic cable operators it decides to do business with. That is why, without a loan guarantee scheme or something similar, I would strongly caution the Cable Authority from requiring detailed voice plans (i.e. involving BT/Mercury as currenty required) prior to the provisional award of a licence. It places the applicant in a totally vulnerable position - he needs BT as a banker, but knows that unless he

accepts their commercial terms on voice collaboration or network build or whatever else, they are likely to withhold such financial support. Nor is it any good the DTI requiring voice capability in the operators licence and forcing BT to collaborate - BT simply ups the terms it offers to the operator as 'banker' and again the cable operator is financially stranded. The industry is thus greatly weakened by the most obvious network constructor and providor of 'voice services' also being the only available lending/leasing banker. BT on the other hand, as the company that stands to lose most if an independent cable industry develops, must be only too pleased to see no action from your Government to change the current situation. It is clear from the remarkable disclosure that BT made on Page 25 of their recent prospectus, that it fears the longer term competition from cable and, as it states, 'may wish to request the Director General (OFTEL) to make a modification of its Licence'. We in the cable industry have no such fears for the longterm future provided we survive the present - something about which BT must be ambivalent.

It is clear that unless something similar to what I propose above is implemented to permit cable operators to go elsewhere than to BT for their 'debt financing', then, by definition, BT will have successfully demonstrated within 5 years that cable operations without BT is a non-starter.

I hope the above suggestions are helpful and I am grateful for the opportunity to bring them to your attention. I assure you of my own continued commitment 'to make it work' and those of us involved in National TeleCable look forward to meeting the challenges ahead whether or not you decide to adopt the suggestions I make above. If you do, then we will all succeed that little bit quicker and the probability of your Government achieving its long term objectives in this vital area of I.T. will be greatly enhanced. If I can be of any further assistance to your or your staff, then I shall of course be only too pleased to do so.

Yours sincerely,

Malcolm J Matson
Chief Executive

cc Director General - Cable Authority
Director General - OFTEL

Industrial Policy: CBI Pt 4.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

BOX

CBI

R30 PPS

29th January 1985

Dear Prime Minister

Thank you very much indeed for the very prompt reply contained in your letter of 28th January. I am naturally delighted to know that you would like to accept the invitation to the CBI Annual Dinner and I shall do my very best to fix a date which suits you. I will ask my secretary to get in touch with your Office.

I quite understand that you will find it impossible to attend the forthcoming Conference on Europe. The Spring is such a very busy time and I much appreciate your offer of sending a message. I will let you have the background nearer the date.

Yours

James.

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, SW 1.

CF?
No papers in GR

file

ECh

10 DOWNING STREET

THE PRIME MINISTER

23 January 1985

Dear James,

I was most grateful to you and Sir Terence Beckett for coming to Downing Street to show me the CBI's Presentation on Pay. I endorse wholeheartedly the message you are seeking to put across on the need to increase productivity, restrain wage costs, and increase profitability. This message was extremely well put and should do a great deal to reinforce the ability of companies to bring their costs under better control. I was pleased to see that you reminded companies that our competitors are not standing still.

I am grateful, therefore, for the effort the CBI have put into this exercise.

Yours ever

Margaret

Sir James Cleminson, MC, DL.

BR

10 DOWNING STREET

Prime Minister

Please could you sign this again. Although Terry Bechett did most of the work, I think it would be better to send the letter to James Cleminson.

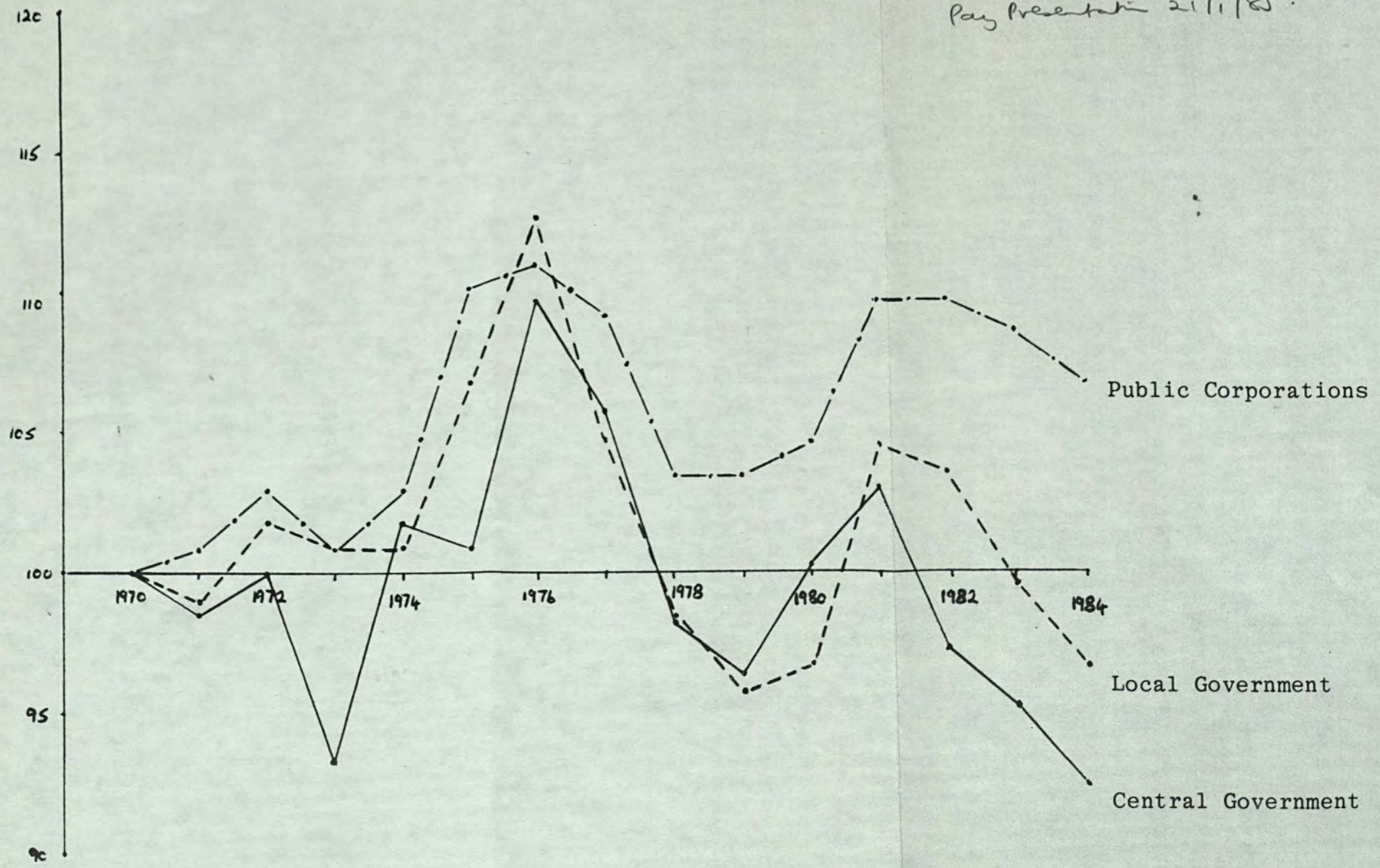
AT

22/1

TRENDS IN RELATIVITY OF PUBLIC TO PRIVATE SECTOR PAY : NON-MANUAL EMPLOYEES (1970 = 100)

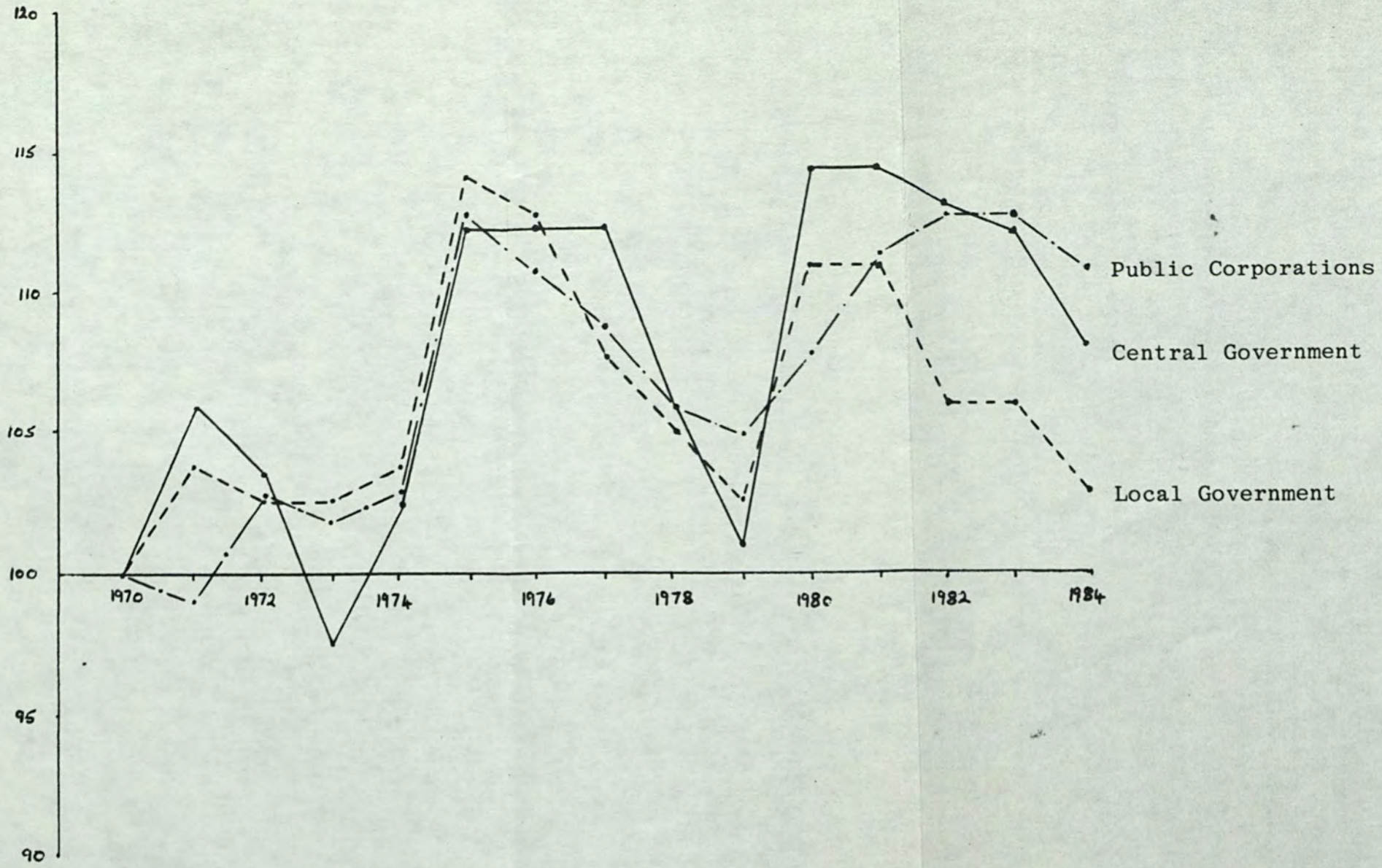
CHART 2

Chart left with PM by Sir Terence Beckett at CBI Pay Presentation 21/1/85.



TRENDS IN RELATIVITY OF PUBLIC TO PRIVATE SECTOR PAY : MANUAL EMPLOYEES (1970 = 100)

CHART 1



File

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

CBI

21st January 1985

Dear Prime Minister,

I would like to thank you very much for giving up so much of your time this morning to Terry and myself on our presentation on the pay round. I am so glad that you felt that it had been well prepared and I am sure the fact that we are now following it up on a two-monthly basis with our Employment Affairs Report will strengthen our hand.

We shall be publishing the Budget Representations, which I gave you this morning, on Wednesday 23 January.

Yours

James

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, SW1

Chairman
100%
Pay

10 DOWNING STREET

From the Private Secretary

Prime Minister

Sir James Cleminson and Sir Terence Beckett will show you the presentation which the CBI makes to its members. This will take place in one of the reception rooms.

The presentation will not, in past form, take all the 45 minutes allocated to it. In whatever time is left Sir Terence may take up some of the current issues

(i) interest rates - will they stay up for longer

(ii) sterling - is the Government trying to peg the rate

(iii) infrastructure - where the CBI have been a persistent lobby.

AT 18/1

E.R.

MR TURNBULL

15 January 1985

MEETING WITH CBI ON PAY

The attachment to this note sets out the pay settlements and earnings increases over the last three years for the whole economy and the various public and private sector groups. The figures show that whilst settlements have been broadly the same in all sectors over these years, increases in earnings have been more widely dispersed: earnings for the manufacturing sector outstripping the economy generally by 1.25% to 1.5% each year. The non-manufacturing sector and the public trading sector, which the CBI also represent have had earnings increases very much more in line with the economy as a whole.

The Engineering Employers Federation has just settled a national rate increase at 5.16% (slightly less than the going rate) and have staved off a reduction in hours probably to April 1987 at the earliest. Local rate negotiation at company level will now proceed against this background.

Of course, the principle message must remain that increases in earnings above the rise in the rate of inflation can only be financed at the expense of future investment, company profitability and by lost jobs.

Peter Warry

PETER WARRY

	July 1981 - July 1982		July 1982 - July 1983		July 1983 - July 1984	
	Settlements	Earnings	Settlements	Earnings	Settlements	Earnings
Whole Economy	7	9.25	5.5	7.5	5.25	7.5
Public Sector	6.5	8	5.25	6.5	5.25	7
- public trading	7	9.5	5.5	7.25	5	7
- public services	6.5	7.25	5.25	6.25	5.25	7*
Private Sector	7	10	5.75	8.25	5.5	7.75
- manufacture	6.5	10.5	5.75	8.75	5.5	9
- non-manufacturing	7.5	9	6	7.5	5.25	7.25

Source: Average Earnings Index and DE Settlement Information

* Without the miners' dispute creating excessive police overtime, the earnings increase for the public services sector during the year 1983/4 would be nearer 6½ per cent than 7 per cent.

010

Pl. file on CBI file

CABINET OFFICE

Central Statistical Office

Mr Butler

With the compliments of

Sir John Boreham K.C.B.

We have gone ahead — but as you suggest.

Great George Street, London SW1P 3AQ

Telephone 01-233 6117

A06670

CABINET OFFICE
Central Statistical Office
Great George Street, London SW1P 3AQ Telephone 01-233 6117
From the Director: Sir John Boreham, K.C.B.

7 December 1984

I understand that when you saw the Prime Minister recently you referred to two problems in compiling the index. These were, first, that the value figures were based too heavily on older companies, and, secondly, that in deriving constant price figures, the deflator was based on list prices rather than discount prices. You also felt that these factors caused the index to understate performance by about one per cent.

I have known about the CBI's concern with the index of production, especially when set against the rather more buoyant picture which emerged from your own trends inquiries. My staff have frequent meetings with people in your Economic Trends Department, and this topic is regularly discussed. My general view has been that, given the very great differences in the basic information collected between the two series, their movements can only be expected to agree over the longer term; short term differences are always likely. This is what the series show and I reckon we have just had a short term fluctuation.

On the specific criticisms, I would be very interested to see any evidence you may have of bias resulting from a preponderance of older firms. Do older firms grow slower than newer firms? A lot of new ones go out of existence quite quickly.

Problems do indeed arise as a result of the decision not to sample smaller firms. The problems have been exacerbated by the lack of a regularly updated register of firms. This lack will be reduced, if not eliminated, by the imminent introduction, at the Business Statistics Office (BSO), of a VAT-based register for conducting the statistical inquries, in which new firms are included in a fairly prompt and systematic way. This new information is expected to feed through to the index of production early next year. There will remain, though, the difficult problem of estimating the growth for those firms with employment below the threshold of what are covered in the inquries.

Sir Terence Beckett CBE
CBI
Centre Point
103 New Oxford Street
London WC1

On the second point - the inappropriateness of the deflator - in compiling the producer price index (PPI), the BSO specifically asks for transactions prices. While discount arrangements are not always easy to cover, the BSO's experience of conducting the inquiry suggests that most of information going to make up the index does reflect transaction prices rather than list prices. Failures to do so are thought unlikely to have a major impact on the validity of the PPI for use in deflating the index of production, particularly, too, as the main interest is in price changes, rather than levels. Again any evidence to the contrary will be of interest.

I am never complacent about the accuracy of CSO figures - how could I be? Constructive criticism is really useful as I am always willing to make improvements. I hope my staff can continue the very useful dialogue they have with the CBI; perhaps the matters would be best pursued at that level.

I am copying this letter also to James Cleminson.

JOHN BOREHAM

A06671

CABINET OFFICE
Central Statistical Office
Great George Street, London SW1P 3AQ Telephone 01-233 6117
From the Director: Sir John Boreham, K.C.B.

7 December 1984

I understand that when you saw the Prime Minister recently you referred to two problems in compiling the index. These were, first, that the value figures were based too heavily on older companies, and, secondly, that in deriving constant price figures, the deflator was based on list prices rather than discount prices. You also felt that these factors caused the index to understate performance by about one per cent.

I have known about the CBI's concern with the index of production, especially when set against the rather more buoyant picture which emerged from your own trends inquiries. My staff have frequent meetings with people in your Economic Trends Department, and this topic is regularly discussed. My general view has been that, given the very great differences in the basic information collected between the two series, their movements can only be expected to agree over the longer term; short term differences are always likely. This is what the series show and I reckon we have just had a short term fluctuation.

On the specific criticisms, I would be very interested to see any evidence you may have of bias resulting from a preponderance of older firms. Do older firms grow slower than newer firms? A lot of new ones go out of existence quite quickly.

Problems do indeed arise as a result of the decision not to sample smaller firms. The problems have been exacerbated by the lack of a regularly updated register of firms. This lack will be reduced, if not eliminated, by the imminent introduction, at the Business Statistics Office (BSO), of a VAT-based register for conducting the statistical inquries, in which new firms are included in a fairly prompt and systematic way. This new information is expected to feed through to the index of production early next year. There will remain, though, the difficult problem of estimating the growth for those firms with employment below the threshold of what are covered in the inquries.

Sir James Cleminson
Loddon Hall
Hales
Norfolk

On the second point - the inappropriateness of the deflator - in compiling the producer price index (PPI), the BSO specifically asks for transactions prices. While discount arrangements are not always easy to cover, the BSO's experience of conducting the inquiry suggests that most of information going to make up the index does reflect transaction prices rather than list prices. Failures to do so are thought unlikely to have a major impact on the validity of the PPI for use in deflating the index of production, particularly, too, as the main interest is in price changes, rather than levels. Again any evidence to the contrary will be of interest.

I am never complacent about the accuracy of CSO figures - how could I be? Constructive criticism is really useful as I am always willing to make improvements. I hope my staff can continue the very useful dialogue they have with the CBI; perhaps the matters would be best pursued at that level.

I am copying this letter also to Terence Beckett.

JOHN BOREHAM

FILE

dla

10 DOWNING STREET

From the Principal Private Secretary

SIR JOHN BOREHAM

Prime Minister's Meeting with Sir James Cleminson and Sir Terence Beckett : 21 November

Thank you for your minute of 30 November. I have some reservations about your writing to Sir Terence Beckett and Sir James Cleminson on the lines you propose, because I would not want them to think that I tell tales on things which they come and say to the Prime Minister in confidence. But, if you really want to take this opportunity to follow the matter up with them, I think that it would just about be acceptable if you were to write in the terms you propose, but omitting the first paragraph and starting the second paragraph:- "I understand that when you saw the Prime Minister recently you referred to two problems in compiling the production index". I know that the first paragraph is intended as a joke, but I cannot be sure that they would take it so.

Thank you very much for consulting me on this.

FERB

5 December 1984

DCAAKA

A06655

MR BUTLER

FERB
I see no problems with a letter of this kind but I would amend first sentence
AT 3/12

PRIME MINISTERS MEETING WITH SIR JAMES CLEMINSON AND SIR TERENCE BECKETT 21 NOVEMBER

Your note of the meeting reached me by a circuitous route and I would like to write to the two of them as in the attached draft. But I would hate to inconvenience you. Do you have any objections?

John Boreham

JOHN BOREHAM

30 November 1984

DRAFT LETTER: AJB TO SIR TERENCE BECKETT AND SIR JAMES CLEMINSON

I believe you ~~made some rather unfavourable comments~~ were casting doubts on the accuracy of our ~~about the~~ index of production at your recent meeting with the Prime Minister. And I thought we were friends.

I understand that you referred to two problems in compiling the index. These were, first, that the value figures were based too heavily on older companies, and, secondly, that in deriving constant price figures, the deflator was based on list prices rather than discount prices. You also felt that these factors caused the index to understate performance by about one per cent.

I have known about the CBI's concern with the index of production, especially when set against the rather more buoyant picture which energed from your own trends inquiries. My staff have frequent meetings with people in your Economic Trends Department, and this topic is regularly discussed. My general view has been that, given the very great differences in the basic information collected between the two series, their movements can only be expected to agree over the longer term; short-term differences are always likely. This is what the series show and I reckon we have just had a short-term fluctuation.

On the specific criticisms, I would be very interested to see any evidence you may have of bias resulting from a preponderance of older firms. Do older firms grow slower than newer firms? A lot of new ones go out of existence quite quickly.

Problems do indeed arise as a result of the decision not to sample smaller firms. The problems have been exacerbated by the lack of a regularly updated register of firms. This lack will be reduced, if not eliminated, by the imminent introduction, at the Business Statistics Office (BSO), of a VAT-based register for conducting the statistical inquiries, in which new firms are included in a fairly prompt and systematic way. This new information is expected to feed through to the index of production early next year. There will remain, though, the difficult problem of estimating the growth for those firms with employment below the threshold of what are covered in the inquiries.

On the second point - the inappropriateness of the deflator - in compiling the producer price index (PPI), the BSO specifically asks for transactions prices. While discount arrangements are not always easy to cover, the BSO's experience of conducting the inquiry suggests that most of information going to make up the index does reflect transaction prices rather than list prices. Failures to do so are thought unlikely to have a major impact on the validity of the PPI for use in deflating the index of production, particularly, too, as the main interest is in price changes, rather than levels. Again any evidence to the contrary will be of interest.

I am never complacent about the accuracy of CSO figures - how could I be? Constructivecriticism is really useful as I am always willing to make improvements. I hope my staff can continue the very useful dialogue they have with the CBI; perhaps the matters would be best pursued at that level.

I am copying this letter also to James Cleminson.

CF CBI Conference

File BM

Tessa - Yours - re CBI Conference?
Kay 27/11

CC HO

10 DOWNING STREET

THE PRIME MINISTER

26 November 1984

No - Surely you have the CBI file - or CF do. I thought FERB set it up?? Tessa

Dear Mr. Nelson,

Thank you for your letter of 9 November.

I am sorry that I was unable to attend the CBI Conference this year and therefore missed the opportunity of seeing "The Cable Industry" exhibit there. I was, however, most interested to read the brochure which you prepared for the occasion.

As you will now know, the Home Secretary announced on 12 November the appointment of the Deputy Chairman and three members to the Cable Authority. The Cable Authority will formally come into existence on 1 December and will take on its powers and duties under the Cable and Broadcasting Act 1984 on 1 January.

The Authority's over-riding duty under the Act is to use its powers in the manner best calculated to promote the development of cable services over new wideband cable systems. In his speech at the annual lunch of the Cable Television Association on 13 November, the Chairman of the Cable Authority made it very clear that the Authority would be pressing ahead quickly in the New Year with the awarding of further franchises.

/ The setting up

The setting up of the Authority opens up a new phase in the evolution of the cable industry. The Government has never pretended that it can guarantee the success of cable; in the last resort cable has to stand or fall by its ability to persuade consumers that the services which it can offer are worth acquiring at the price demanded. What we have always said, however, is that technology is opening up a whole range of new opportunities and that the role of the Government must be to enable and encourage them to be taken rather than getting in the way. Our actions over the past two years in creating the legislative framework for the development of cable have been inspired by the conviction that cable can succeed and bring with it many benefits for the public and for business alike. That conviction has not changed.

Yours Sincerely

Margaret Thatcher

Malcolm J. Matson, Esq.

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

22 November 1984

CF ?
✓ PPS

Dear David,

Thank you for your letter of 12 November enclosing one from Mr Malcolm Matson about cable. I attach a draft reply for the Prime Minister's consideration.

I am returning the brochure on "The Cable Industry" prepared by Mr Matson for the CBI conference as requested.

Yours ever,

Christine.

MRS C J HEALD

GR

Pse type.

DMB

23/11

David Barclay, Esq.

FILE NUMBER .....

DRAFT LETTER

ADDRESSEE'S REFERENCE .....

TO	ENCLOSURES	COPIES TO BE SENT TO
M J Matson, Esq., 24 Upper Brook Street LONDON W1Y 1PD		
(FULL POSTAL ADDRESS)		(FULL ADDRESSES, IF NECESSARY)

LETTER DRAFTED FOR SIGNATURE BY .....PRIME MINISTER.....
(NAME OF SIGNATORY)

Thank you for your letter of 9 November.

I am sorry that I was unable to attend the CBI conference this year and therefore missed the opportunity of seeing "The Cable Industry" exhibit there. I was, however, most interested to read the brochure which you prepared for the occasion.

As you will now know, the Home Secretary announced on 12 November the appointment of the Deputy Chairman and three members to the Cable Authority. The Cable Authority will formally come into existence on 1 December and will take on its powers and duties under the Cable and Broadcasting Act 1984 on 1 January.

The Authority's over-riding duty under the Act is to use its powers in the manner best calculated to promote the development of cable services over new wideband cable systems. In his speech ~~to~~ at the annual lunch of the Cable Television Association on 13 November the Chairman of the Cable Authority made it very clear that the Authority would be pressing ahead quickly in the New Year with the awarding of further franchises.

/over

H.O. EST. 112

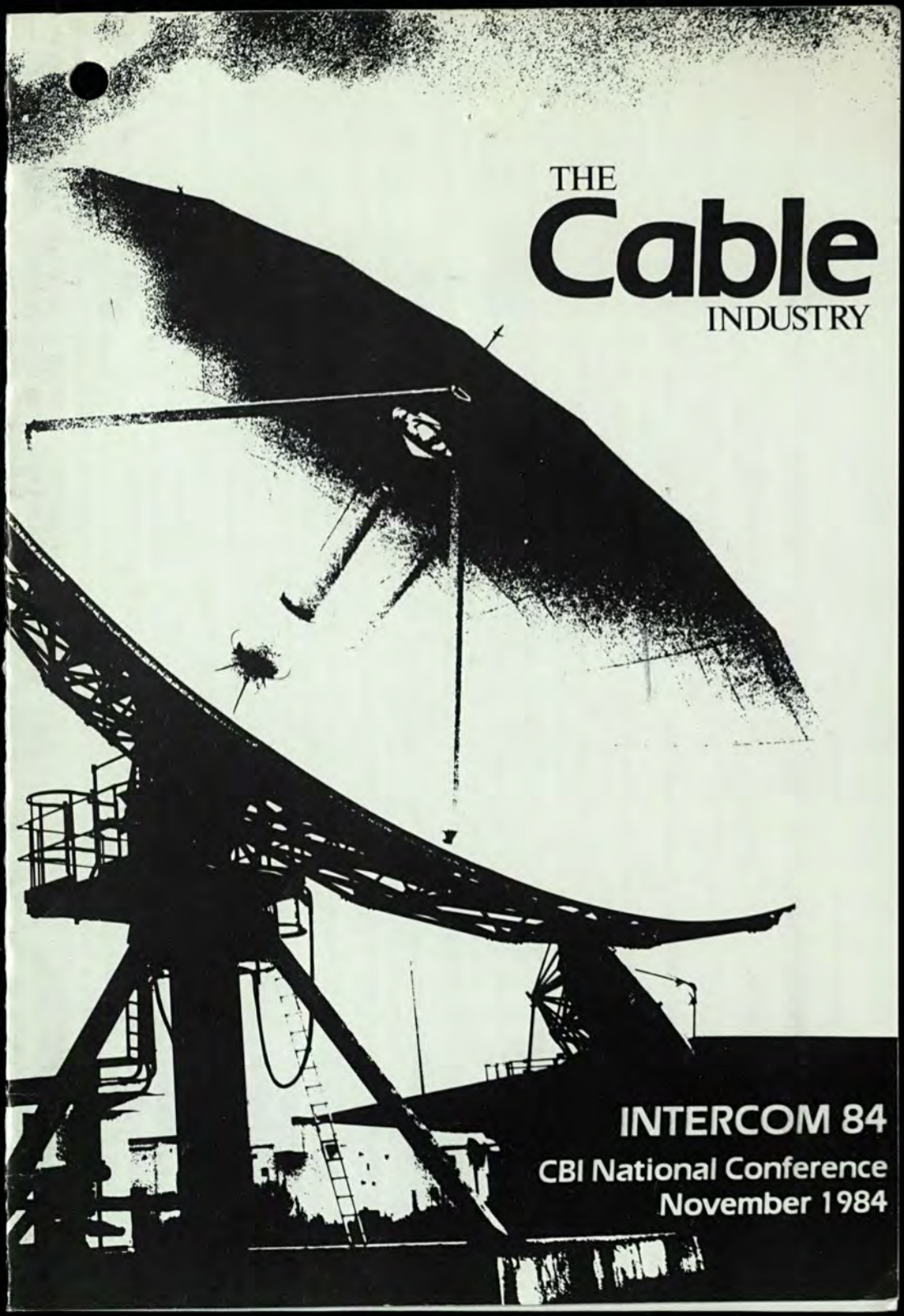
The setting up of the Authority opens up a new phase in the evolution of the cable industry. The Government has never pretended that it can guarantee the success of cable; in the last resort cable has to stand or fall by its ability to persuade consumers that the services which it can offer are worth acquiring at the price demanded. What we have always said, however, is that technology is opening up a whole range of new opportunities and that the role of the Government must be to enable and encourage them to be taken rather than getting in the way. Our actions over the past two years in creating the legislative framework for the development of cable have been inspired by the conviction that cable can succeed and bring with it many benefits for the public and for business alike. That conviction has not changed.

10, DOWNING STREET,

WHITEHALL S.W.1

Could you please return this booklet with your reply.

With the Private Secretary's Compliments



THE Cable INDUSTRY

INTERCOM 84

CBI National Conference
November 1984

The Cable Industry

'The Cable Industry' stand at this CBI Conference has been arranged with the support of a number of leading companies from the various sectors of the Cable industry. Some of them are well known major corporations. Others are new entrepreneurial companies who, to the surprise of many and the expense of not a few, have already established themselves as potential major players in this sunrise industry. Although some of those participating in 'The Cable Industry' claim to be particularly well equipped to offer practical help to corporations and institutions wishing to have a window on Cable, all of the companies involved with the exhibition welcome your interest and will be pleased to share with you some of the encouraging facts about Cable.

It is doubtful whether anybody reading this today would have forecast two years ago that by the end of 1984 far reaching legislation would have been enacted to permit the development of interactive broadband Cable networks in the United Kingdom. Who would have predicted that by November 1984 over a hundred thousand homes in the UK would already be receiving up to 6 channels of new entertainment programming with the rate of growth in subscribers climbing every day?

Who would have forecast that the Cable & Broadcasting Act 1984 governing the development of broadband Cable in the UK would establish a 'light touch' regulatory Cable Authority, Chaired by a successful industrialist and charged to ensure that the cable industry succeeds? Who would have envisaged that the 15 year franchise to be awarded to cable operators would give them the sole licence within their area to offer cable services and yet permit them to provide all other telecommunications services – data, video and voice – to both domestic and business subscribers?

Cable has a very long way to go, but contrary to the impression one is given by some of the mass media reports of the industry, Cable is certainly well on its way. Despite the inevitable hurdles that any new industry must face, it is fair to say that many of the fundamental risks associated with the profitable development of Cable that were over powering a year ago, have already been significantly reduced. It is hardly surprising that the very complex and fast changing environment in which cable is developing, causes confusion and bewilderment to any but those directly involved. However, that is no adequate excuse for corporations and institutions to take ill-informed and outdated 'fixed' negative positions towards cable thereby depriving themselves of the exceptional opportunities and rewards that will be won by those who participate at this early stage.

There is little doubt that Cable, as part of the deregulated telecommunications industry, and aiding the general trend towards an information based society, is going eventually to impact every business in the country. In some cases it will radically change the cost of entry into markets which had hitherto been capable of being protected on techno-historical grounds. The marketing of financial and other consumer services are particularly vulnerable. In other instances, it will open new markets and opportunities just as the railways did over a century ago. If nothing else, it will simply change the way in which the population works and plays and spends its time and money – it will change markets.

Nobody is suggesting that this will happen overnight, but equally it is obvious that whether or not it will happen is no longer seriously in question. The issue is, 'When?', 'How?' and 'Who?' The Cable Industry is determined to accelerate this trend. For those as yet not involved in this emerging industry, future opportunities for profitable growth lie not in fighting a rearguard action and entering the new era sheltering behind others but rather from being well positioned with information, experience and the right partners such that a profitable strategic commitment to Cable and information technology can be made at the earliest appropriate time.

Malcolm J. Matson
Chief Executive,
National TeleCable Management Ltd
Director, Aberdeen Cable Services Ltd

ABERDEEN CABLE SERVICES LIMITED

Willowbank House, Willowbank Road, Aberdeen AB1 2YG
Tel: 0224 595815. Telex 739403

Contact: Patrick Scott – Chief Executive

Aberdeen Cable Services Ltd. (ACS) is the most northerly of the 'first eleven' companies selected by the Government last November to be awarded licences to operate new broadband cable communications networks. ACS plan to launch their services in Spring 1985 with 16 channels of programming. This will make the Company the first of the truly new cable companies to become operational.

Aberdeen has amongst the highest per-capita disposable income in the UK with a larger than average population of households with children, making the City an ideal cable market.

Investors in ACS represent a good mix of industrial and institutional funds with major participants including British Telecom, American Television and Communications (a leading US system operator), Standard Life Assurance, Investors in Industry, Fortronic Holdings, Aberdeen Trust, The Royal Bank of Scotland and Clydesdale Bank.

THE ECONOMIST INFORMATICS

Spencer House, 27 St. James' Place, London SW1A 1NT
Tel: 01 493 9500. Telex 933845

Contact: Margaret Todd – Senior Consultant

The Economist Informatics is uniquely placed to advise on new forms of television having completed the appraisal of 37 applications for Cable TV interim licences on behalf of the Home Office and the Department of Trade and Industry.

The Project was led by senior staff who have worked together for over ten years gaining the experience which enables them to tackle all the technical, service, programming, market research, ownership and management issues necessary to appraise or assemble franchise applications for prospective cable companies.

The Economist Informatics range of experience extends beyond cable and satellite TV to many related and impacting technologies, including interactive videotex services, video-conferencing and remote working, banking and shopping. Using its unique depth and range of experience, The Economist Informatics undertakes studing applying techniques tailored to meet the specific needs of individual clients.

GEC McMICHAEL LIMITED

Sefton Park, Bells Hill, Stoke Poges, Slough SL2 4HD
Tel: 02816 2777. Telex 849212

Contact: Richard Stevens, Lorraine Grabham

GEC McMichael Ltd. addresses the Cable TV market in two main categories:

1 Total turnkey capability. Drawing from the products, experience and capabilities of the various companies, GEC McMichael is able to design, install and commission complete metropolitan broadband networks. As new services emerge, GEC McMichael will be able to keep abreast of the technology, providing ongoing support as required.

2 Product capability. GEC McMichael will concentrate on the needs for switch technology. This is the hub of a successful network, providing the intelligent control of all signals in the network – voice, video or data.

GEC McMichael Limited means support for a total communications network.

SATELLITE & CABLE TV NEWS

Wellington House, 6-9 Upper St. Martin's Lane, London WC2H 9EX
Tel: 01 836 0142. Telex 299485 (MUSIC G). Facsimile 01 836 5840 (gp 2/3)

Contact: Alan Burkitt – Editor, Shirley Fawcett – Deputy Editor, Terry Rozario – Advertisement Manager

The Cable Industry magazine is Satellite & Cable TV News – Britain's first magazine of cable and satellite television. It was founded in 1981 as Satellite TV News, and since February 1984 has been published under its new title by Spotlight Publications, part of the leading magazine publishing group Morgan-Grampian plc. Every month, our specialist staff and correspondents take an in-depth look at the key issues and events in the cable and satellite world, with the focus turned chiefly towards the UK. Subscriptions are increasing rapidly from readers in all sectors of the industry in Britain and overseas, and there are substantial bookstall sales throughout the country.

SCREEN SPORT LTD.

23 Queen Anne's Gate, London SW1H 9BU
Tel: 01 222 0855. Telex 668022

Contact: Robert Kennedy

Screen Sport Ltd. was formed in 1983 to provide the first channel exclusively devoted to sports and leisure programming for cable television systems. It began operations in March 1984 and is now serving some 50,000 subscribers in 40 UK cities and towns with 44 hours a week of sporting events and leisure activities from all over the world. From its studios in Knutsford, Cheshire, programmes are distributed to cable systems via British Telecom's London Docklands Teleport and the ECS satellite. The company's ownership is diverse and reflects the interests in cable television of such broadcasting, leisure and financial organisations as ESPN (the major US sports network), W H Smith Plc, RCA (owners of US network NBC), ABC (US network broadcasters), the Coal Board Pension Fund and ICFC.

W H SMITH CABLE

Strand House, 10 New Fetter Lane, London EC4A 1AD
Tel: 01 353 0277. Telex 887777

Contact: F S K Baron – Managing Director

W H Smith are involved in providing both entertainment and interactive services on cable networks. Its current involvements and plans are:

The Games Channel

24 hours a day 7 days a week access to the best in computer games. This service will be developed into a full software distribution service over cable for commercial consumers as well as the at home market.

Video line

24 hours a day 7 days a week. Videoline is an interactive informational video channel offering an entirely new and effective video advertising medium unique to cable television.

Lifestyle Channel

The concept is at an advanced stage of planning. It will offer magazine style programming to the daytime at home market particularly women.

Screen Sport

W H Smith owns 19% of the only satellite delivered sports channel in Europe.

STC-TEXSCAN LTD

Oakleigh Road South, New Southgate, London N11 1HB
Tel: 01 368 1234. Telex 21917

Contact: Stephen Partridge – General Manager

Combining the experience of STC in telecommunications and of Texscan Corporation of the United States in Cable TV, STC-Texscan has been created as a supply company to the UK wideband communication market.

STC Telecommunications Ltd. is a major management company of STC plc, one of the UK's leading telecommunications and electronics companies.

Texscan Corporation pioneered the development of switched cable systems in the USA and is one of the world's leading suppliers of Cable TV system products.

A key product to be supplied by STC-Texscan is the Star-Light system. The system features: all interactive services, such as teleconferencing, telebanking and teleshopping; flexible network design; remote tuner channel selection; flexible tier structures; pay per view; periodic authorisation check; interface with existing security systems; system management capability, including provision of viewing statistics and diagnostics; and access to existing broadcast radio and television services.

O C SUMMERS LIMITED

Manor Way, Borehamwood, Hertfordshire WD6 1WD
Tel: 01 953 5333. Telex 291868

Contact: Alan Poole – Cable Television Projects Manager

O C Summers have a full range of construction and supporting technical and managerial services available which have been designed to meet the needs of both cable operators and system providers throughout the UK and Europe. The package of services include franchise area surveying and mapping, system design, the full range of civil engineering construction, cabling and equipment installation, commissioning, subscriber connections, post construction contract subscriber installation and maintenance, 24 hour emergency system repair service, satellite dish and head end facility construction, supported by proven quality assurance and safety controls, public relations involvement and experienced project management.

MEGASAT LIMITED

5 St. Pancras Commercial Centre, 63 Pratt Street, London NW1
Tel: 01 267 5222. Telex 8813271

Contact: Graham Lawson – Managing Director

Megasat Ltd. is a leading distributor of Cable and Satellite receiving equipment. From the wide range of stock carried, systems are designed and installed to match clients' individual requirements, whether they be systems for rebroadcast, research, educational, monitoring or domestic purposes. Megasat also provides a complete cable head end installation service, combining its expertise and experience in satellite receiving systems with Paltex, the UK's leading distributor of TV studio equipment. Amongst Megasat's clients are organisations such as British Telecom, BBC, Marconi, Granada TV, Greenwich Cablevision and MoD.

MMG plc

24 Upper Brook Street, London W1Y 1PD
Tel: 01 409 2339. Telex 264170

Contact: Ronald Cohen – Managing Director, Malcolm J. Matson – Advisor to MMG cable

MMG plc advises companies on business strategy, mergers, acquisitions, divestitures and private placements. MMG plc recognized at a very early stage of the development of the Cable industry, the potential significance and opportunities that it could hold for major industrial and commercial companies. As the cable industry develops, MMG will offer investment banking services to the cable industry itself and provide new would-be investors in all sectors of the industry with an opportunity to participate on a syndicated basis in attractive opportunities. MMG's venture capital arm, Alan Patricof Associates, is an investor in one of the interim licencees.

NATIONAL TELECABLE MANAGEMENT LIMITED

19 Stratford Place, London W1N 9AF
Tel: 01 629 9999. Telex 291429

Contact: Malcolm J. Matson, Patrick Scott

National TeleCable was formed in 1984 by three of the entrepreneurs who formed and managed companies which successfully applied for Interim Licences in 1983 and are now directing their activities towards early profitable operations. National TeleCable will be making applications to the Cable Authority for operating licences in various urban areas of the UK with the objective of becoming a major multiple systems cable operator. National TeleCable is already working with companies and financial institutions who desire a close relationship with a competant company well positioned in the vanguard of the cable industry. National TeleCable will be structuring syndicated investments in new cable operating franchises and exploiting the deal flow of other cable related 'software' opportunities in which it is exceptionally well placed.

ONLINE CONFERENCES LIMITED

Pinner Green House, Ash Hill Drive, Pinner, Middlesex HA5 2AE
Tel: 01 868 9933. Telex 923498

Contact: Shaun Evans – Exhibition Sales Executive

Online is one of the world's leading specialists in the design and co-ordination of major conferences and exhibitions concerned with business applications of leading edge technology. During the last 14 years it has co-ordinated over 350 highly respected events on the UK, on the Continent of Europe and in North America. Online's Cable '83, the first event of this kind in the UK followed the report of the Hunt Committee on the future of cable television in this country. Cable '84 in July was a highly successful 'state of the industry' exhibition and conference. Cable '85 in Brighton will be an even larger International event.

PIRELLI GENERAL plc

PO Box 23, Chickenhall Lane, Eastleigh, Hants SO5 5YU
Tel: 0703 614666. Telex 477065

Contact: M J George – Divisional Sales Manager

Pirelli General plc, through its Telecommunications Cables Division, is a major manufacturer of all types of telecommunication, power, general and special cables having an annual turnover exceeding £100m.

Pirelli General is one of the principal suppliers of communications cable to British Telecom and other organisations in the UK and overseas. The Company produces a complete range of audio, pcm, coaxial cables to the cable television industry for over 30 years. Coaxial TV relay cables to BS 5425 and optical cables are available to meet the needs of tree and branch or switched star networks. Cable installation services are provided by their affiliate, Pirelli Construction Company Limited.

PLESSEY SCIENTIFIC-ATLANTA LIMITED

One St. John's Gate, Valpy Street, Reading, Berkshire RG1 1JU
Tel: 0734 509227. Telex 849744

Contact: John Tinsley – Managing Director, Richard Wyatt – Operations Manager

Plessey Scientific-Atlanta Limited is a joint venture Company between Scientific-Atlanta Inc., and The Plessey Company plc, with the British parent the majority shareholder.

Building from the strengths of Scientific-Atlanta as the leading supplier to the US CATV and satellite communications industries and of the telecommunications expertise of The Plessey Company, Plessey Scientific-Atlanta is becoming the leading supplier of equipment, systems and expertise to the UK and European communications industry.

The development of the Plessey Scientific-Atlanta Multistar System (PSAMS) enables a CATV system operator to grow from a coaxial based network into a fibre optic system, from an entertainment led enterprise into a telecommunications driven business.

THORN EMI SCREEN ENTERTAINMENT CABLE PROGRAMMES DIVISION

Central Cross House, 2 Stephen Street, London W1A 4PL
Tel: 01 580 6611. Telex 28622

Contact: Russell Roworth – Head of Consumer Marketing

The Government's decision to encourage the installation of fully interactive cable networks in the UK heralded a new communications system designed to take the nation well into the next century.

THORN EMI is fully committed to this exciting new technology and is positioned as a leading supplier of management and technical services, network equipment and entertainment programme channels.

THORN EMI Cable Television is a specialist subsidiary of THORN EMI formed to co-ordinate the company's own rapidly expanding interests in cable system operation. Franchise operators can gain access through them to experience covering the spectrum of network planning and operation – experience based on 50 years as an operator of cable and relay systems.

THORN EMI Screen Entertainment is now well established as the full service supplier of cable programmes. The only British supplier of more than a single channel, THORN EMI Screen Entertainment currently offers 3 leisure channels – Music Box, Premiere and The Children's Channel – and is planning a range of interactive services with cabletext and telesoftware (home computer software programmes) to be followed by telemetry and teleshopping.

Over many years, THORN EMI Electronics has developed a leading position in key sectors of the communications market, and is supplying a wide range of the special hardware required for satellite TV up-links, down-links and receive-only earth stations.

In addition to transmission systems, the scope of its communications expertise encompasses software development and computing systems; data handling, transmission and display; data concentration, data encryption and high speed analogue/digital conversion.

VIRGIN VISION LIMITED

61-63 Portobello Road, London W11 3DD
Tel: 01 221 7535

Contact: Robert Devereux – Managing Director

Virgin Vision is currently a partner in The Music Channel Ltd., a pan-European music television station, with Thorn-EMI and Yorkshire Television. It also has holdings in a number of companies set up to apply for Cable Television franchises and a stake in Merseyside Cablevision Ltd. who successfully applied for a Licence in the first round of applications. It is in the process of building London's largest and most up-to-date post-production facility, Townhouse Television Ltd. A substantial part of the facility will be dedicated to cable television production and transmission making it the first London facility to cater specifically to this market. Virgin was one of the 5 companies invited by the Home Secretary to participate with the BBC and ITV companies in the DBS project and is actively involved in the progress of this project. Virgin is primarily interested in the software end of the cable market and is reviewing a number of opportunities in this area.

THE CABLE TELEVISION ASSOCIATION OF GREAT BRITAIN

Formed in 1934 as the Relay Services Association to represent the interests of those companies relaying wireless programmes by cable in areas of difficult reception, The CTA changed to its present title in 1972 when its campaign for greater freedom in the medium took on new vigour.

A call was made for a relaxation in the tight controls hampering the development of existing systems and for the introduction of new ones.

The constant lobbying of Government and Government Departments was undertaken and representation made to a succession of Committees and Inquiries including Annan and Hunt.

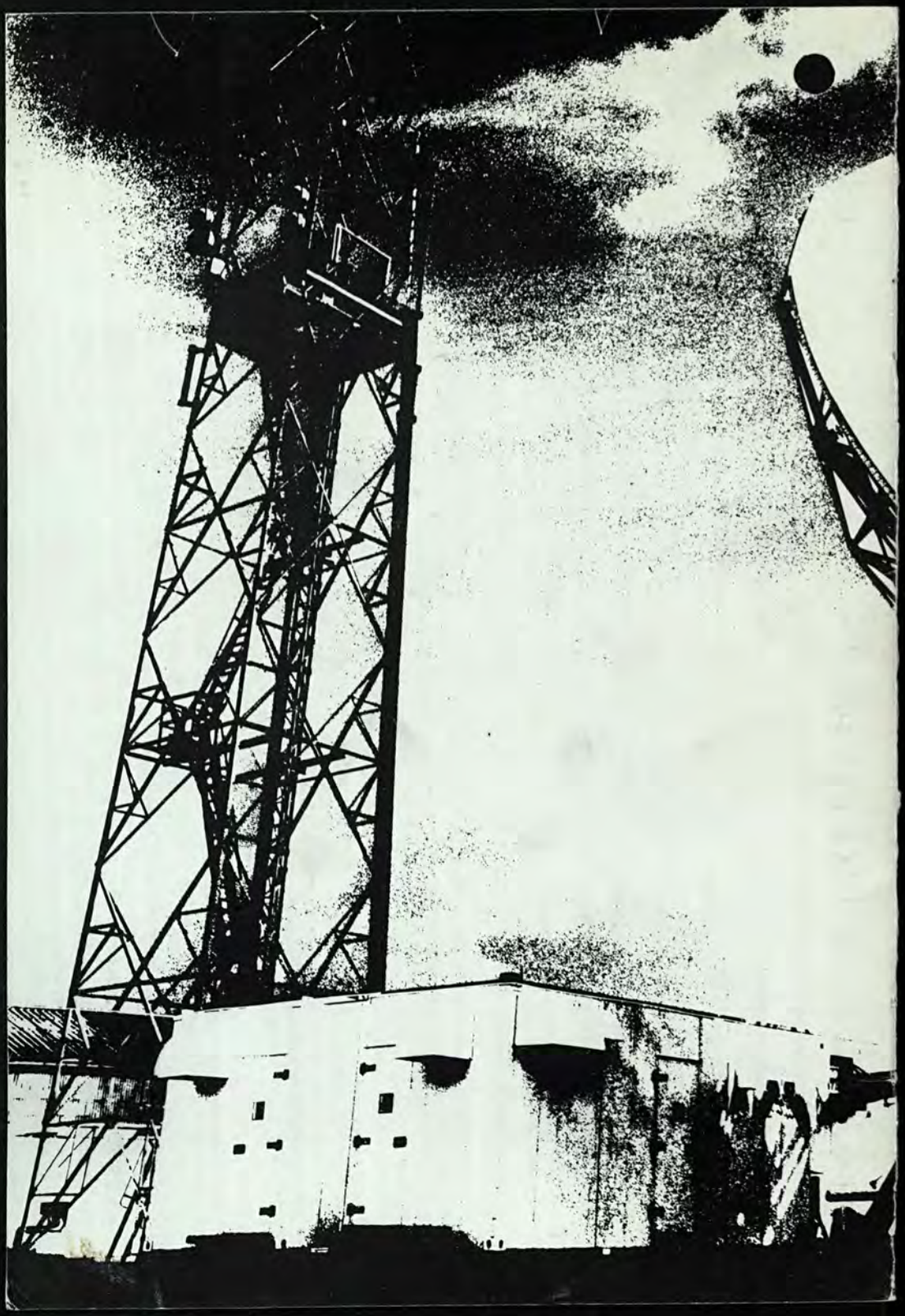
The result and just reward for The CTA was the eventual introduction of legislation to enable Britain's cable television industry to move forward into a new era, bringing with it the opportunity for new technology, investment, jobs and exports.

The Cable Television Association of Great Britain is a federation representing the interests of companies involved in the provision and development of cable television in this country.

As a watchdog for the industry, it monitors events affecting member companies and associates and takes appropriate action where necessary.

Please direct inquires to:
A. J. Whetstone, CB., FBIM.,
Director General,
The Cable Television Association
of Great Britain
295 Regent Street
London W1R 7YA
Telephone: 01-637 4591

The generous assistance of
the following companies with the arrangement of
'The Cable Industry' exhibit is gratefully acknowledged:
Advertising Constructions (Mr. Paul Williams) tel: 0782 23444
Good Relations Group plc (Mr. Nicholas Walters) tel: 01 631 0886
Megasat Limited (Mr. Nick Bradford) tel: 01 267 5222
Muscutt Sweetman Ltd. (Graphic Designers) tel: 01 226 5186
Printronics (Giles Padmore) tel: 01 836 3763
Thorn-EMI Screen Entertainment tel: 01 580 6611
W H Smith Cable tel: 01 353 0277



2

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

CBI

21st November 1984

mt

Dear Prime Minister,

This is just a brief note to thank you very much indeed for giving so much of your time this morning to Terry Beckett and myself to explain the various points which arose during the Eastbourne Conference and which are of concern to members of the CBI.

We both very much appreciate your continued i nterest and feel sure that it should be possible to do something about all the points which we discussed.

It was a great pleasure to me to see you looking so well after such a distressing time, and the fact that as a country we are making progress must help to make this possible.

Yours James.

The Rt. Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
London SW 1.

Subject on master

ECLAB

RESTRICTED

10 DOWNING STREET

From the Principal Private Secretary

21 November 1984

Dear Andrew,

PRIME MINISTER'S MEETING WITH SIR JAMES CLEMINSON AND SIR TERENCE BECKETT: WEDNESDAY 21 NOVEMBER

The Prime Minister was grateful for the briefing enclosed with your letter of 19 November for her meeting with Sir James Cleminson and Sir Terence Beckett which took place this morning.

Sir James Cleminson began by expressing the sympathy of the CBI with the Prime Minister and those who had been involved in the Brighton bomb. He added that there had been no complaint among those attending the CBI Conference that the Prime Minister had been unable to attend the Question and Answer Session on 4 November: the general sentiment was one of understanding and support.

Sir James Cleminson added that a prominent theme of the CBI Conference had been the improvement of competitiveness and the opportunities for British business, particularly in Europe. He commended the work being done by Lord Pennock as Chairman of UNICE. UNICE had done good work on the Fifth Directive, but Lord Pennock was now seeking a more positive role in which UNICE would bring pressure on EC Governments and the Commission to reduce the burden of regulations on business throughout Europe and foster a better atmosphere for enterprise. The Prime Minister asked whether it was true that the burden of regulations in other European countries was greater than in Britain: Sir Terence Beckett confirmed that it was and that this was being reflected in the higher proportion of American and Japanese investment which Britain was attracting compared with other European countries.

Sir James Cleminson said that he would also like to raise with the Prime Minister the concern of his members about the effects of the changes in corporation tax in the last budget on company liquidity. He gave the Prime

RESTRICTED

lo

Minister a graph (copy attached) illustrating that the changes would produce a trough in liquidity in 1986/87, when it might have an effect on investment which would coincide with a downturn in the trade cycle. This effect was hitting most severely the fastest growing high technology companies which had invested heavily and wrote off their investment quickly. Sir James Cleminson said that he had asked the Financial Secretary whether anything could be done in the forthcoming budget to mitigate this effect, and the Financial Secretary was well aware of the CBI's concern.

Turning to training, Sir James Cleminson said that there was strong interest in industry in both youth and adult training, and industry would make a substantial investment in it. The CBI were in touch with the Minister without Portfolio and the Minister of State, Department of Employment about it. He stressed the desirability of extending the YTS to the age of 18. People who stayed on in full time education after the minimum school leaving age needed to be able to use the new technology, and their educational courses did not cover this. The Prime Minister acknowledged the problem that the education system was not adequately preparing school-leavers for work in industry. She also referred to the problem of wages and of wage councils, of which nine had wage structures which prevented employers from taking advantage of the Young Workers Scheme.

Taking up the theme of wages, Sir Terence Beckett said that the CBI had a hard hitting presentation, which had already been seen by the Chancellor of the Exchequer and other Ministers, and by several thousand employers. They would like to show it to the Prime Minister, and the Prime Minister agreed to find time for this, probably shortly after Christmas. Sir Terence Beckett continued that the CBI did not expect a wages explosion in the coming year, but assented to the Prime Minister's comment that wage increases were still too high. However, he said that the picture was better if one looked at unit labour costs and that the index of production was misleading because it was too weighted towards older companies and used listed prices as a deflator rather than the discounted prices which generally applied: these factors probably caused the index of production to under-estimate performance by about one per cent.
Sir Terence Beckett added that it was also important to remind employers to concentrate on total labour costs, including such things as bonuses and extra holiday payments, and not just on wages.

The Prime Minister asked about the CBI's relationship with the unions. Sir James Cleminson said that the CBI had met the TUC representatives on NEDC on the previous evening to discuss how they could make papers to NEDC more effective, in the sense of leading to action. The leading

RESTRICTED

TUC figures were at present in a low state of morale. The Prime Minister said that she would like to mark the return of the TUC to NEDC in some way, perhaps by giving a reception before the January meeting of NEDC. She would be considering this further.

Finally, Sir James Cleminson said that he would like to refer to the CBI's efforts to promote additional spending of infrastructure. He said that the CBI, relying on the McAlpine report, were not pressing for additional public money, but rather on a diversion of money from current expenditure into capital. The vast majority of their membership accepted that new money should not be provided. Sir Terence Beckett added that up to £3 billion was at stake from better purchasing methods, on which he had been working with Sir Robin Ibbs. He also emphasised that, if investment plans were to be prepared in time for the downturn in the trade cycle which the CBI expected in 1986, preparatory steps needed to be taken now. The Prime Minister commented that she was seriously concerned about the length of time which the planning process took, referring particularly to the Stansted and Sizewell inquiries. She was due to have a meeting with Sir John Sainsbury and a group led by him, and hoped to find further ways of cutting down the time taken by the planning process and the scope for protestors to exploit the system in order to delay developments to which they were opposed.

I am copying this letter to David Peretz (HM Treasury) and David Normington (Department of Employment).

Yours sincerely,

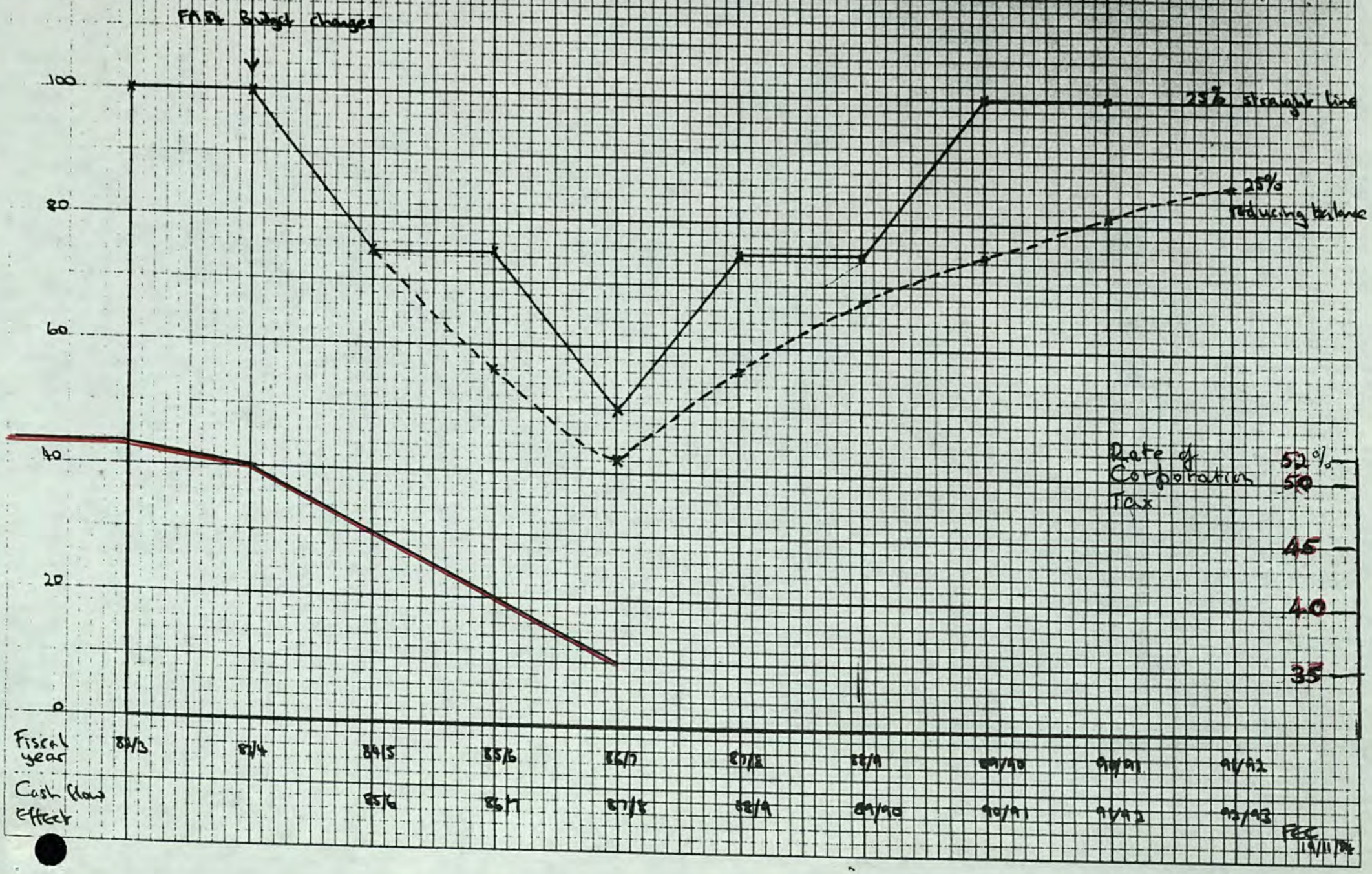
Robin Butler

Andrew Lansley, Esq.,
Department of Trade and Industry.

RESTRICTED

Proportion of Capital Allowances Claimable per £100 of Investment on Plant and Machinery

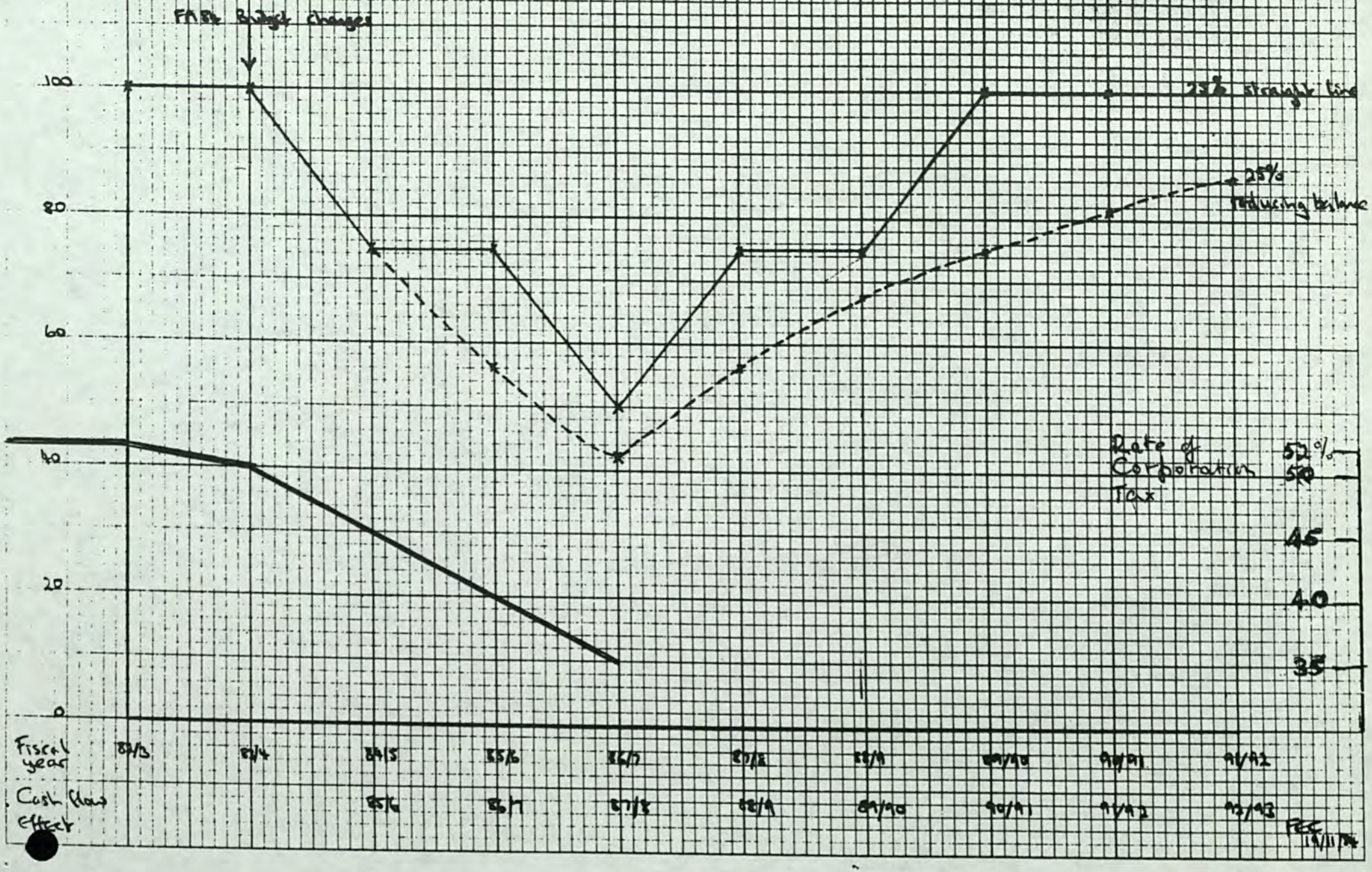
Comparison on 25% straight line and 25% reducing balance basis (Excluding no inflation)



FEC 19/11/84

Proportion of Capital Allowances Claimable per £100 of Investment on Plant and Machinery

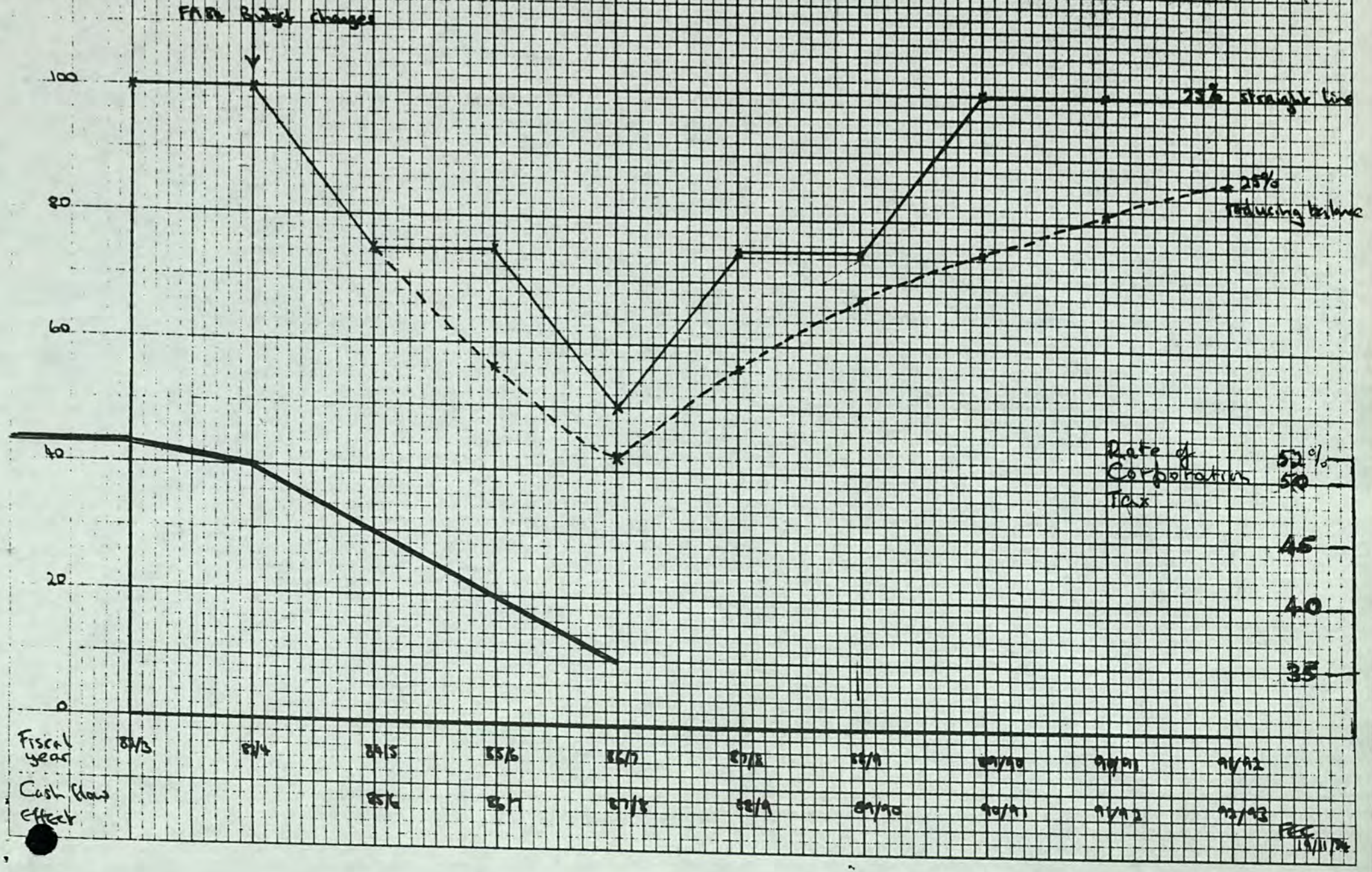
Comparison of 25% straight line and 25% reducing balance basis (Assumes no inflation)



PEF 19/11/84

Proportion of Capital Allowances Claimable per £100 of Investment on Plant and Machinery

Comparison on 25% straight line and 25% reducing balance basis (Scenario on Machinery)



PEK 19/11/84

SECRETARY OF STATE FOR EMPLOYMENT

PRIME MINISTER

MEETING WITH THE CBI

I understand you are seeing James Cleminson and Terry Beckett of the CBI tomorrow, and that training is one of the matters that you are likely to discuss. We have sent you a more detailed brief, but the one key point that I wanted to mention is the importance of retaining James Cleminson's enthusiasm for CBI support for training.

We are working very hard on possible developments of YTS, which include the possibility of a greater contribution from employers. We shall be putting these proposals forward before Xmas as you suggest, and we shall then want to be sure that Cleminson will be ready to urge the CBI to back them.

Anything you can therefore do to firm up assurances from him and Beckett of their general support for more efforts on training will be most helpful.

TK

T K

20.11.84

PS We had the launch of the Adult Training Campaign by the MSC at the CBI today. It was a great success, and you might like to mention that you heard it went well.

PRIME MINISTER 20 November 1984

CBI VISIT - SIR JAMES CLEMINSON AND SIR TERENCE BECKETT

You might like to congratulate the CBI on:

a) The sharp improvement in company profits, productivity and investment in the last 3 or 4 years. (Gross trading profits have grown at an average annual rate of some 15%. Productivity is increasing at 2-3% pa and total investment in the economy has recently been averaging 6% pa in real terms, with most of the growth coming from the private sector.)

b) The constructive spirit behind recent CBI economic proposals - they have moved a long way from the days of "Bare-knuckles Beckett".

We understand that, in reviewing the CBI's Conference Sir James and Sir Terence will want to cover the following principal subjects:

1. The case for more infrastructure investment mainly to increase the competitiveness of British Industry.

In their recently-published "Fabric of the Nation" the CBI advocate additional investment of some £3 billion (1982 prices) over the next decade on motorways and major roads. The paper notes that 60% of our trade is now with Western

Europe, yet the network of major roads still provides inadequate access to Europe via the south and east coast ports.

Unlike the TUC who call for £30 billion extra infrastructure investment over the next 5 years, the CBI are at pains to reconcile their proposal with the thrust of Government policy:

> "These proposals are not designed as measures to reflate the economy, but solely to avoid constraints to growth. Public sector funds spent in this way will help improve the competitiveness of British industry and commerce and match the advantages enjoyed by competitors across the Channel. The proposals can and should be financed within the limits for public borrowing laid down by the Government. They should not cause inflation."

On financing, the CBI point to the scope for efficiency-saving across the public sector and suggest that the possibility of private-sector investment should again be explored.

Comments:

a) There may indeed be a case to raise infrastructure investment up the priority order. It is easy to write a shopping list of new or accelerated road improvement schemes. But is CBI sure that this is the most effective

way of removing constraints on business growth? (See comment on skills, below)

b) Transport endorse the CBI's contention that there is a satisfactory economic return (of the order of 5% real) underlying their major road projects. Capital expenditure on roads has increased by roughly £200 million pa since 1981/82. Nonetheless, the overriding constraint at present is not finance, but protracted planning processes. For example, the M40 extension from Oxford to the Midlands has been under deliberation for more than 10 years.

Other critical bottlenecks still being fought through the planning processes are the A1/M1 link opening up the Midlands to the A45 and thence Felixstowe, the A34 Oxford to Winchester improvements, (ie Midlands to Southampton) and the Okehampton bypass.

The good news, of course, is the imminent completion of the M25 outer ring road. And we should take due credit for improved access to the East Coast ports. The A45 link between Cambridge and Felixstowe has been established, and the A12 from London to Harwich and Felixstowe is all but complete as a dual carriageway.

c) Finance could again be the critical factor in 2-3 years time when the projects currently under planning scrutiny are ready to be implemented. With this in mind, we could

take up the CBI's suggestion to explore the scope for private-sector investment - both as an acid test of commerciality and as a means of promoting ecnomically-sound projects within the constraints of the PSBR. (You could press CBI on road builders' willingness to shoulder the risks and CBI's attitudes to tolls.)

2. Training to overcome skill shortages, and the need for more mobility of labour.

Comments:

a) Shortages of skilled labour are probably a greater impediment to the competitiveness of British industry than the inadequacy of our infrastructure. They constrain the most buoyant and profitable sectors of the economy with the greatest potential for growth.

b) The Butcher Committee has already identified serious skill shortages affecting the information technology sector. The Committee's proposal to establish a new body, uniting industry (through the CBI) and education in an attack on skill shortages, is welcomed. That attack must be vigorous. The CBI should be urged to treat this as a matter of the highest priority. Constructive criticism and fresh ideas are welcomed.

c) The Government have successfully stimulated the oil companies to intensify oil and gas exploration, appraisal and development. The ensuing wave of activity has considerable potential to create jobs in the UK. It would be a tragedy if the wave is too big for capable UK suppliers and contractors to handle. The problem is less one of physical facilities than of skilled artisans and craftsmen. We urgently need to identify those trades which are likely to be most deficient and forestall a shortage.

The CBI should consult the UK Offshore Operators Association who are understood to be initiating a detailed study of the manpower needed to service the upstream oil and gas sector.

d) David Young's young people's MISC 107 is working towards a 2nd year of training for those covered in the 16-18½ range by a 1 year YTS. This will need substantial co-operation from business in finding places and in part-funding. The CBI could be wooed in general terms as a prelude to this.

3. The European ideal - the CBI's aspiration to help break down the barriers to free enterprise. They want to be more pro-active. (This year Sir Raymond Pennock is Chairman of UNICE, the body of European confederations of industry.)

Comments:

The CBI should be encouraged. We will only derive benefits from membership if we unify the market. But industry will have to recognise the implications, too: tougher competition eg cars; a more open public procurement policy.

4. De-regulation. CBI were slow off the mark. You could encourage CBI's support for the Government's policy.

JOHN WYBREW

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

19 November 1984

David Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

MB

Dear David,

MEETING WITH CBI, TUESDAY, 20 NOVEMBER 1984

The Prime Minister is seeing the President and Director General of the CBI on Tuesday, 20 November to discuss the CBI's annual conference, which she was unable to attend.

2 The CBI will no doubt wish to review the main features of the Conference, which they regard as a success. We understand that their general message to the Prime Minister is likely to be one of continued support for the Government's policies, including the importance of standing firm on the miners' strike. The Autumn Statement's forecasts were reasonably within the CBI's expectations, and they will have been relieved that no increases were announced in national insurance contributions. Their main worry in that area will probably be the implied increases in electricity and water charges.

3 The main items on the CBI's 'shopping list' at the moment seem to be:

(a) Taxation The CBI are now concerned that the withdrawal of first year capital allowances may be having a disincentive effect, through the extra strain on cash positions, on the investment which industry's improved profitability should be encouraging. They propose 25 per cent straight line allowances.

(b) Infrastructure The CBI believe a larger programme of infrastructure investment is justified including about £3-5 billion of additional expenditure over the next ten years. They claim that thhis would represent

JH1BMO

genuinely worthwhile projects, offering a proper return and substantial benefits to industry. The main ingredient would be roads. Since they support the Government's overall economic and monetary stance, they suggest that this be funded from the 'fiscal adjustment' or through a further programme of savings in current expenditure, within current PSBR targets.

(c) Training Sir James Cleminson is known to hold strong views about the crucial role of training industrial and economic recovery.

(d) Europe The CBI is concerned at the increasing burden of European interference and regulation and the deadweight of Brussels bureaucracy.

4 Other points they may raise include the importance of showing at least as much concern for manufacturing industry as for service industries, and the need to reduce Governmental regulatory and administrative burdens on industry.

5 The Prime Minister may wish to take the opportunity of the meeting to reinforce the Government's message on pay.

... 6 I attach appropriate briefs, referring as necessary to relevant CBI Conference resolutions. These have been prepared in consultation with the Treasury, Inland Revenue and Department of Employment.

7 Copies go to the Private Secretaries to the Chancellor of the Exchequer and to the Secretary of State for Employment.

Yours ever,

Andrew Lansley

ANDREW D LANSLEY
Private Secretary

Encls

JH1BMO

10 DOWNING STREET

Prime Minister

This briefing is quite excessive for a call of one hour, of which the purpose is for Sir James Cleminson and Sir Terry Beckett to report on the CBI conference.

You will want to read Tom King's minute and John Whybrew's minute and do no more than glance at the rest. The main points for you to make to the CBI are on pay and training

FERB

PRIME MINISTER'S MEETING WITH THE CBI

LIST OF BRIEFS

Main Subjects

1. Tax
2. Infrastructure
3. Training
4. EC barriers to trade

Other Subjects

5. EC Social engineering
6. Manufacturing industry
7. Miners' strike
8. Autumn Statement: Electricity and water charges
9. Scrutiny of burdens on small firms
10. Pay and Jobs
11. OPENING AND CLOSING SPEECHES AT CBI CONFERENCE.

(i)

TAX: CAPITAL ALLOWANCES

Business tax reforms in 1984 Budget

i. 100 per cent first year allowance for machinery and plant phased out. From 1 April 1986, capital expenditure will be written off at 25 per cent a year on the reducing balance basis. Thus, on expenditure of 100:

Year 1: allowance 25 (25 per cent of 100)

Year 2: allowance 19 (25 per cent of 75)

Year 3: allowance 14 (25 per cent of 56)

and so on; so that cost of equipment is written down to 10 per cent (ie scrap value) in about 8 years.

ii. The 75 per cent initial allowance for industrial buildings is being phased out, so that from 1 April 1986 there will be only a 4 per cent annual allowance (straight line basis), which will write off cost in full over 25 years.

iii. Main corporation tax rates being reduced from 52 per cent to 35 per cent by 1986.

iv. Small companies corporation tax rate reduced from 38 per cent to 30 per cent immediately.

v. NIS abolished ~~immediately.~~ on 1 October 1984

vi. Stock relief abolished.

The Conference debate

The Conference debated, and carried easily, the following Motion: "This Conference regards the reductions in capital allowances in the 1984 Budget as divisive, excessive and a disincentive to investment."

The essential points of attack were that:

i. The fact that the corporation tax package was broadly revenue-neutral for companies in aggregate was no comfort to the losers, including pretty well all of manufacturing industry;

ii. The 25 per cent writing down allowances on a reducing balance basis were unrealistic and unfair for short-life assets including much of the new technology;

iii. Capital investment prospects for 1986 and beyond were already uncertain, and the cash flow effect of the reduced allowances for capital intensive companies, many of which would be liable for corporation tax for the first time for many years on the basis of their 1986 trading, would have a serious depressing effect.

There was one dissenting speaker - Jeremy Leigh Pemberton. He argued that the Motion was tactically negative, and urged the Conference to press positively for further reductions in the corporation tax rate which, he implied, would be going with the grain of the Chancellor's approach to tax reform generally, and the reduction of the tax burden on industry in particular, rather than attempting to claw back some of the ground lost on capital allowances in the Budget.

The CBI have not yet submitted their Budget representations. But it is thought that their business tax proposals will include:

i. a more favourable rate of writing down allowance for machinery and plant after 1986. They may be looking for a rate of 25 per cent on a straight line basis - which would allow a write-off in full over 4 years (instead of about 8 as now). The cost of this would be very considerable. There would also be practical administrative problems.

ii. The introduction of a new capital allowance on commercial buildings (which get no allowances at present) at perhaps 2 per cent a year.

Points to make

i. Reform of business taxation was a self contained balanced package of measures. Unreasonable to welcome the reform in general, but then to protest about one of the essential components. Reductions in corporation tax rates only possible because of savings from lower capital allowamces.

ii. Approval of the philosophy underlying Jeremy Leigh Pemberton's contribution to the debate. Long term interests of industry best served by reductions in tax rates.

iii. No point in re-introducing tax distortions.

iv. The 25 per cent rate of allowance (reducing balance basis) which will take effect from 1986 is a generous average rate of depreciation taking a typical business's stock of capital assets as a whole. Compares favourably overall with rates in other countries. Recognise that some assets wear out or become obsolescent in less than 8 years; but this is more than compensated for by many others which last a lot longer.

v. Package widely welcomed - even by many who will not benefit immediately.

vi. Agree that some companies may do less well out of the reform than others. But do not accept that industry generally discriminated against. Many manufacturing companies will benefit at once. And in the medium term the changes will benefit the business sector and the economy as a whole.

vii. True that some investment projects which would have taken place on a subsidised basis may not now proceed. But this effect shall be more than compensated for by the overall ~~structures~~ encouragement to activity and enterprise from the package as a whole.

viii. If CBI have proposals to put forward, they can be included in their Budget representations to the Chancellor. Opportunity to discuss them then.

(2)

INVESTMENT IN PUBLIC INFRASTRUCTURE

Background

The CBI strongly support increased public expenditure on infrastructure because, the CBI believe, this would reduce business costs, thereby enhancing competitiveness and helping the economic recovery. The CBI (unlike the TUC) do not see infrastructure investment as a primarily job-creation measure. However their members in the construction industry understandably do, as shown by their (easily carried) conference resolution 'This Conference ..... urges the Government to take a more positive attitude towards the construction of much needed infrastructure projects which would both create genuine new jobs in the short-term and in the longer term, ensure fresh employment opportunities in other sectors of industry.'

2. In June 1984, the CBI published a report 'The Fabric of the Nation' advocating more infrastructure investment. It was mostly concerned with extra spending on roads where the CBI consider UK industry is at a disadvantage though, disappointingly, no firm evidence was offered of extra industrial costs attributable to poor roads. On roads, the CBI proposed expenditure of £6 billion (1982 prices), £5 billion over the next 10 years comprised of both acceleration of existing schemes and also £3 billion, ie £300m a year, of new spending over and above that in the Government's plans. The report also called for more spending on water supply and sewerage.

National and local capital expenditure on roads is about £1½ billion

3. The CBI fully support the Government's efforts to control public expenditure. The report therefore suggested that the extra costs of infrastructure investment should be met by savings from greater efficiency and manpower reductions in central and local government generally and from the fiscal adjustment within the MTFS. The CBI wish that any room for manoeuvre (such as the £1½ billion the Chancellor referred to in the Autumn Statement) should not be used solely for cuts in personal taxation but a mixture of infrastructure projects and cuts in business taxation.

4. The CBI also suggest private financing of infrastructure improvements. This has been considered in the case of roads but so far the private sector is unwilling to insur any risk and seeks Government guarantees which would effectively mean such schemes would amount to higher public expenditure.

POINTS TO MAKE

- Government's spending programme already includes major elements of expenditure on physical infrastructure. For example:

  Roads

  - despite need for constraint, motorway and trunk road capital expenditure has been preserved and will show an increase over 1984-1985 provision;

  - total trunk road programme contains schemes worth £5 billion;

  - since April 1979 over 418 miles of road completed, including some 170 miles of motorway and 46 bye-passes, diversions and relief roads. More under construction (including 87 miles of motorway) and in preparation (including 100 miles of motorway).

  Water

  - provision for investment increased by £68m, from £778m in England and Wales this year to £846m in 1985-86. [NB charges will rise - see Brief 8].

- Like any Government spending, infrastructure spending must be cost effective and necessary and needs to be justified against competing claims. Programme contains projects that Government considers necessary, consistent with constraints on public expenditure. Higher capital spending would have to be at expense of other public programmes judged more important or more taxation or risk jeopardising objective of reduced BSBR and inflation.

999-80

THE USE OF THE FISCAL ADJUSTMENT TO FINANCE THE NATION'S INFRASTRUCTURE

Factual

(i) The annual fiscal adjustment figures, as set out in the 1984 Medium Term Financial Strategy are:

£ billion

1985-86	1986-87	1987-88	1988-89
2	4½	3½	3½

(ii) The recently published Autumn Statement revises the 1985-86 figure to £1½ billion. But margin of error of forecast for next year very large at this stage.

Positive

(i) Government committed to reversing process whereby growth in public spending has led to ever-higher taxation. The recent decisions to hold planning total to £132 billion essential part of this. Offers the prospect of further net reductions in taxes next year.

(ii) More beneficial to use fiscal adjustment to reduce the tax burden, to improve incentives, reinforce growth and encourage more jobs. (1984 Autumn Statement states that PSBR forecast assumes conventionally that the fiscal adjustment takes the form of a reduction in income tax.)

(iii) Even if more money were available for public spending, not necessarily a case for extra infrastructure spending. Each infrastructure proposal should be looked at on its merits. Must look for a proper return on funds employed. No overall "target" or "right" level. In many cases "current expenditure" - e.g. on repair and maintenance may be more cost effective than capital spending.

(iv) Some types of current expenditure - such as that on research and development, education, industrial training and repair and maintenance - just as much an investment in the future as capital spending.

(v) The Government are, in any case, maintaining a major public investment programme. For example, in the water industry, capital expenditure is planned to increase by 9 per cent in 1985-86. And overall, the programme will be £24 billion in 1984-85 - one-fifth of the planning total.

Defensive

(i) Using £1½ billion fiscal adjustment to finance spending would create 250,000 jobs (Mr Hattersley, OR 12 November).

Just guesstimates. Nothing like ¼ million jobs even in the short run flowing from an extra £1½ bilion spent on, say, construction spending. Direct effect only quarter to half that. And by foregoing overdue tax reductions would hold back efficiency of the economy generally which would itself have created jobs. Question of spending on infrastructure to create jobs sometimes gets tangled with ideas that such capital spending is somehow specially virtuous in its own right. Of course the Government believes that public investment yielding a proper return is well worthwhile. This is why a major programme of such spending has been sustained (£24 billion in 1984-85 or about a fifth of planning total).

(ii) Increase employment by spending more on infrastructure within total expenditure

If objective is to maximise the short-term employment impact of public expenditure, not clear that switch towards infrastructure would be sensible. Employment and training measures have a bigger and more direct impact per £ of expenditure. Spending on these measures has been steadily growing as a proportion of total public expenditure. [But, here again, there is a limit to what can be spent without imposing costs on the private sector and damaging long-term employment prospects.]

(3)

Prime Minister's Meeting with Sir James Cleminson

and Sir Terence Beckett of the CBI on

Wednesday 21 November 1984

Briefing by the DE on Training, covering:

- Youth training
- Adult training strategy
- Training loans

16 November 1984

YOUTH TRAINING

Background

1. Sir James Cleminson raised the future development of the Youth Training Scheme in his Presidential address to the CBI Conference. This part of his speech was reported as follows in the Financial Times:

> "Sir James called for the development of the youth training scheme into a wider programme of education and technical training for young people up to the age of 18. This would, he said, involve a redefinition of what was meant by apprenticeship. 'I pledge that if the unions will move on this we will respond'.
>
> Improved training might be the only way in which young people would find a place in the work force of the future. Reform in this area would require the closest co-operation between industry, government, unions and educationalists. 'It will involve expense for all the parties concerned. But how much better that we should recognise that this is so rather than create an unemployed generation.' "

2. The Conference itself went on to pass a motion calling for the YTS to be extended to cover those young people unable to find jobs after a year's training on the Scheme, though some delegates believed the Scheme should be extended generally into a second year for all young people taking part.

3. The Secretary of State for Employment announced on 12 November that the rules for YTS in 1985/86 would remain very much as they are this year, with only a modest expansion to cover some special groups of 18 year olds. Mr King did not accept the recommendations which came forward from the Manpower Services Commission that employed 17 year old school-leavers, along with some other groups, should also be included. The Commission had not however proposed that the Scheme should generally be lengthened beyond a year, though they have asked their officials to work up proposals to introduce a degree of flexibility in length of stay.

4. Lord Young's Working Group on 14-18s is looking at the co-ordination of provision - education, training, work experience - and the recommendations emerging from that group may well have implications for the future of YTS.

5. A key facts sheet on YTS is attached.

Line to take

- The main need on YTS now is a period of stability. It has come a long way in a short time, but there is still work to be done, particularly on ensuring good quality of training across the Board. For that we need to avoid for now any major upheavals in the rules. And of course there is also the overriding need to contain public expenditure; we should therefore need to consider very carefully how any new development of the Scheme should be funded. Remember, skill training is primarily an employer responsibility.

- The CBI are absolutely right to stress the need to re-think traditional apprenticeships. Reform here, to replace old fashioned time serving with training to standards, is vital if our approach to training as a nation is to be up-to-date. MSC have been working hard with both sides of industry to take this forward, but there is still a long way to go. The CBI themselves, and the employer associations (eg the EEF in engineering), have a key role to play.

- Lord Young's group is looking at the co-ordination of provision for 14-18 year olds. But the Department of Employment and through them the MSC, of course have responsibility for YTS and other Government training schemes. Tom King and Peter Morrison would welcome the chance to keep in touch over CBI's ideas on YTS, and the CBI may therefore like to make contact with DE Ministers now that their conference is over. [Peter Morrison lunched with Sir James in October and discussed YTS, among other things.]

THE YOUTH TRAINING SCHEME - KEY FACTS (END SEPTEMBER 1984)

In Training figures:-

Young people in training at end September 1984:	Mode A	230,454
	B1	65,057
	B2	14,968
	TOTAL	310,479

Planned Places 1984/85:	Mode A	323,000
	B1	71,500
	B2	18,500
	TOTAL	413,000

Entrants figures:

There were over 350,000 entrants to YTS in 1983/84 (245,000 (69%) on employer-led schemes).

There were 236,124 entrants to YTS in the first six months of 1984/85, over 66,000 more than in the same period last year.

Unemployed school leaver figures (GB):

School leavers under 18 unemployed at 13 September 1984: 176,622

Expenditure:

1983/84: c. £800m on youth training (including YOP/MSC administration)
1984/85: c. £875m " " " " " "

Block Grant:

Block grant for Mode A managing agents was increased by 5% from 1 September 1984 to £1,950.

Allowance:

Allowance for YTS trainees was increased by 5% to £26.25 per week from 1 September 1984.

Monitoring:

1983/84 schemes: By end July 1984 (the last date for which results are available) 92% of approved places had been assessed. Around 72% of these were meeting current requirements.

1984/85 schemes: At end August 1984, 30% of approved places had been assessed. Around 75% of these were meeting requirements.

Leavers:

Latest indications are that almost 60% of young people leaving their YTS programme are going into a job, with a further 13% entering, or intending to enter, further education or training.

ADULT TRAINING STRATEGY

Background

1. The main aim of the Government's adult training strategy is to secure and sustain the quantity and quality of skills necessary to meet the changing needs and circumstances of industry.

2. Key elements of the strategy include:

- A national campaign to change attitudes to the importance of and the need for adult training amongst employers, potential trainees and providers of training.

- Action at national level to secure greater coherence and responsiveness in machinery for providing adult training.

- Encouraging collaboration between employers and providers of education and training to identify and meet the needs of local industry and commerce.

- Strengthening some important features of the training and labour markets.

- A restructuring of the Manpower Services Commission's own training programmes so as to contribute to more cost-effectively to meeting the needs of industry and commerce.

3. The Government has asked the MSC to initiate a national campaign to raise awareness of and influence attitudes to adult training generally. The campaign will be launched formally at a presentation hosted by the CBI at Centrepoint on Tuesday 20 November.

Line to take

- Welcome CBI's strong support for the adult training strategy.

- Agree difficult to estimate with any precision amount of training

being undertaken by industry, but point to growing evidence that employers in this country seem less prepared to invest in training than employers in some of the more successful economies, for example West Germany, Japan, United States.

- Hence emphasis on market approach to training, with employers in lead.

- Agree employers best placed to take decisions about own training needs.

- Government shares CBI's concern to ensure public education and training provision is relevant to industry's needs and to the needs of the unemployed. It is trying to stimulate much needed changes, for example, through its funding of the Open Tech programme and through projects to promote local collaboration between employers and providers of education and training; and through restructuring its own adult training programmes so as to make more cost-effective its contribution to meeting needs of industry and commerce.

- Government very concerned to derive optimum value for money spent on public education and training provision [Prime Minister will be aware of material sent to her recently about the future of skillcentres. The Minister of State for Employment has also had a private word with Sir Terence Beckett on this subject]

TRAINING LOANS

Background

1. In its White Paper 'Training for Jobs' the Government announced its intention to examine the possibility of introducing a training loans scheme as one possible way of opening up more opportunities for adults to train and retrain.

2. A consultation paper has just been issued outlining a proposed experimental scheme of shared loans. The proposal is that an applicant could contribute say 20% of the required money, with the balance provided by a loan shared between the bank and the Government. The bank would handle all administration. The Government has set aside an additional £5m to launch a scheme in 1985/86, subject to the outcome of the consultation.

3. Sir Terence Beckett was sent a copy of the consultation paper by the Secretary of State for Employment.

4. The closing date for comments on the paper is 31 January 1985.

Line to take

- We have said much about the need for employers to invest in training but we recognise that individuals too must regard training as an investment. A loans scheme is one way of taking this approach further.

- Businesses have to take risks and Government does too - the loans scheme is a risk; it is an experiment, of which we cannot be sure of the outcome (the responses of the lending institutions and other interested parties to the consultation paper, and, if we launch a scheme, the extent to which might be successful).

- Nevertheless we are prepared to take this risk, and we hope the banks will too, and that is why we have set aside £5 million for an exerpimental scheme. We look forward very much to receiving CBI comments on the proposal.

4

PRIME MINISTER'S MEETING WITH CBI

BARRIERS TO TRADE IN THE EEC

POINTS TO MAKE

1 Welcome CBI's emphasis on the need to complete the Community internal market for goods and services. The Government entirely shares this priority. A real internal market is probably the main contribution the Community can make to growth and employment.

2 The Government have pressed hard for movement in this area and there has been steady if unspectacular progress over the last year.

Community wide CBI

3 Vital that industry's voice is properly heard. Lord Pennock's appointment to UNICE provides very helpful opportunity for British industry to get its views across to its Continental counterparts to other Member States and to the Commission. The new Commission should be receptive: M. Delors has said that the internal market will be his first objective.

4 Important now to move from a willingness to make progress at a generalised level to a selection of priorities. Hitherto the Commission has not been good at this and effort has been dissipated on unnecessary harmonisation (eg 5th Company Law Directive) or of only marginal importance. Helpful if CBI could use UNICE to press those measures which really do contribute to improving day to day business experience in the Community. The priorities in the CBI's Conference document seem a good start.

5 As CBI recognise in their Conference Document, hard choices will sometimes be involved in individual internal market proposals. CBI has a important role in providing a representative voice to Government on where the overall best interests of British industry lie.

6 Hope for continuing close contacts between the CBI and the responsible Ministers - particularly Minister for Trade who now has coordinating role for UK policies on the internal market.

(Only if raised)

State Aids/Unfair Competition

7 The Government continues to press for effective and even handed control by the Commission over state aids. Recognise that, particularly for UK firms facing subsidised competition, some abuses seem to take too long to check. But the Treaty constraints on the Commission's role are an important safeguard against precipitate or arbitrary action (which for example British firms in receipt of Government funds to assist innovation would find equally unwelcome).

POSTPONED VAT ACCOUNTING

8 The Government's decision to adopt the Continental practice of collecting VAT at the frontier reflected strong representations to do so from sections of British industry. The Chancellor has made clear however that the Government is prepared to revert to Postponed VAT accounting if and when the rest of the Community agrees to do likewise.

ESSENTIAL FACTS

9 The need for a genuine Community internal market was one of the main themes at this year's CBI Conference, which adopted the British American Tobacco Company resolution: "This Conference strongly urges the abolition of the many barriers to the creation of a real European Economic Community and calls upon HMG to strive towards genuine freedom for business to operate and develop across national frontiers."

10 The CBI's Conference paper sets out their priority areas for action on the internal market, most of which the Government entirely shares:

- reducing frontier formalities (adoption of a Single Document for Customs formalities)
- elimination of technical barriers to trade (adoption of common standards, mutual recognition of standards and certification)
- liberalisation of financial services (including insurance) and transport
- liberalisation of public purchasing, particularly in the high technologies
- support for effective Commission control over State Aids
- 'sensible' company and tax law harmonisation (eg on mergers and assets and on double taxation but <u>not</u> misconceived harmonisation such as the 5th and 9th company law directives).

11 The Government has particularly through the Internal Market Council been pressing for liberalisation of services; the simplification and early adoption of the Single Document; and taken a leading role in developing the Community standards initiative which the CBI commend.

12 The Council's successes over the last year are mundane but useful - eg common opening hours for customs posts, common technical standards for a wide range of manufactured products, simpler paperwork for goods for trade fairs and commercial travellers.

13 The one area where Government policy has run counter to the CBI's hopes is in the withdrawal of Postponed VAT accounting from 1 November. This withdrawal provided a one-off benefit to the Exchequer of about £1.2 billion. Most other Member States collect VAT at the frontier. Previous British practice facilitated trade into the UK without reciprocal benefits for most of our exports; hence the significant industry lobby in

favour of a change to collection at the frontier, even though it has led to some delays at major posts.

14 Lord Pennock was appointed Chairman of UNICE (the Community-wide equivalent of the CBI) in May. He is determined to revitalise it as an effective voice in Brussels for EC industry. His (and the CBI's) influence on UNICE has already begun to be felt, both in pressing priorities for Community action (and weeding out nonsenses) and in commenting constructively on the complex technical detail of individual Commission proposals.

DTI
16 November 1984

PRIME MINISTER'S MEETING WITH CBI PRESIDENT AND DIRECTOR-GENERAL

THE EC AND SOCIAL ENGINEERING

Q. You will have seen the motion passed at the CBI conference on the EC and "social engineering".
What is the Government's view?

A. The Government shares the CBI's objections to some of the Commission proposals which the CBI clearly has in mind. This particularly applies to the draft "Vredeling" and Fifth Company Law directives. We believe in employee involvement on a voluntary basis, but these proposals would severely damage the competitiveness on which our economic recovery depends.

Q. Why in that case, is the Government participating in detailed discussions of these proposals?

A. We are members of the Community and must play our full part. Detailed discussion of the text allows our representatives to point in a reasoned way to specific problems which illustrate some of the fundamental difficulties we see. It also allows them to ask questions on the many unclear aspects of the proposals. I am glad that you in the CBI play your full part in getting the message across in the European employers' and tripartite bodies, and I urge you to continue to do so.

Q. Do you favour the CBI's proposal for a "Recommendation on the conditions for Improved Business Performance"?

A. We must remember that the Commission have the right to initiate proposals. But I very much agree with the general direction in which the CBI is urging the Commission to go.

Q. Will you veto the "Vredeling" directive?

A. Contrary to some press reports, negotiations are nowhere near reaching a head. But we have expressed our view on the proposals currently before us; and we do not agree to things we think are wrong.

Q. You said you were opposed to some of the Commission proposals we have in mind. Are you in favour of some of them?

A. We support the principle of harmonisation of standards in the field of health and safety at work, so that firms throughout the Community are able to compete fairly and workers are at the same time guaranteed proper levels of protection. However, we doo look closely at each individual proposal to ensure that the burdens on industry are not unreasonable. The Government looks to the Health and Safety Commission, on which the CBI is represented, for advice on these issues.

Background Note

1. The motion passed at the CBI conference (copy attached) follows the line of its recent booklet "The EC and 'social engineering' - a CBI memorandum". The booklet catalogued a number of EC initiatives, some of which would harmonise various employee "rights" at a higher level than that now obtaining in most Member States. Included are the draft "Vredeling" and Fifth Company Law directives which would impose detailed requirements to disclose information to and consult employees' representatives.

2. The CBI booklet is critical of these initiatives, and calls for a new approach based on restoring competitiveness as the key to sustainable economic growth. A specific proposal is a Community "Recommendation on the Conditions for Improved Business Performance" which would identify areas for action to that end for the Community Institutions.

3. It would certainly be welcome if the Commission were to adopt the new approach urged on them by the CBI. But the Treaty of Rome places considerable emphasis on employment policy in the Community. It is right that the Commission should aim to concert national employment policies, but we can certainly complain about the direction in which the Commission currently wants to go.

4. The CBI are naturally fearful of the continuing negotiations in the Council machinery on "Vredeling", particularly in view of a recent "Economist" article which claimed that negotiations on the "Vredeling" directive were coming to a head. This is simply untrue, and was denied by the chairman of the special Council working group which is examining the proposal under the Irish Presidency. (A copy of the Article and denial are attached).

A MAKING THE MOST OF EUROPE

5 This Conference strongly urges the abolition of the many barriers to the creation of a real European Economic Community and calls upon Her Majesty's Government to strive towards genuine freedom for business to operate and develop across national frontiers.
BAT

B MANUFACTURING MATTERS

1 This Conference affirms its belief that Britain's future is dependent upon the restoration of a sound manufacturing base, to which end financial, economic and industrial policies should be firmly directed.
International Harvester

25 This Conference, while welcoming the early signs of economic recovery, is concerned at the continuing very high level of unemployment. It urges the Government to take a more positive attitude towards the construction of much needed infrastructure projects, which would both create genuine new jobs in the short-term, and in the longer-term, ensure fresh employment opportunities in other sectors of industry.
Federation of Civil Engineering Contractors

D COMPETITIVENESS, INDUSTRIAL RELATIONS AND EMPLOYMENT

4 This Conference fears that industrial relations may be slipping back into bad old ways and that the perpetuation of the 'them and us' attitude is a factor in our industry's failure to compete. It believes that a prime task for management is to instil in their workforces an understanding that only profits, properly invested, can create jobs.
Wales Council

10 This Conference states categorically that economic progress continues to be impeded and job opportunities lost by irresponsible strikes led by politically-motivated union leaders.
West Midlands Regional Council

E TOWARDS AN ENTERPRISING SOCIETY

5 This Conference welcomes the increasing availability of funds from a wide variety of sources to provide financial packages for new and growing businesses, but recognises the need for better communications between investors and borrowers, and for more effective marketing by both parties.
Investors in Industry

9 This Conference endorses the principles contained in the CBI discussion document *A Share in the Action*, including its support for a widespread extension of share ownership by individuals.
BTS Group

F TAXATION AND TAX REFORM

1 This Conference regards the reductions in capital allowances in the 1984 Budget as divisive, excessive and a disincentive to investment.
A H Turner Group Ltd

16 This Conference welcomes both the recognition by the Government that the tax system needs to be reformed and the decision of the CBI to establish a Working Party on tax reform to examine alternative methods of taxation at both the national and the local level.
Greenall Whitley

G THE EUROPEAN COMMUNITY AND SOCIAL ENGINEERING

4 This Conference calls upon the European Commission to concentrate on promoting the economic strength of the Community. It warns the Commission that pursuit of costly social engineering ambitions will weaken European industry and damage employment prospects.
Engineering Employers' Federation

(B)

FROM DR. MARY REDMOND
Tutor
Tel 67641, Ext. 225

COPY

CHRIST'S COLLEGE
CAMBRIDGE
CB2 3BU

Letters Editor,
The Economist,
25 St. James Street,
London SWIA HG

October I8 I9

Sir,

The proceedings of the Ad Hoc Working Party on the draft Directive on Information and Consultation of Workers (the 'Vredeling' Directive) are confidential. If they were not I could put you right on several points made in your report headed 'Vredeling The end' (October I3, pp. 74-5). Suffice it to say that your account of the deliberations of the Working Party of which I am Chairman was inaccurate, misleading (not least regarding the intention behind the initiative of our Irish Presidency) and unworthy of a journal of your reputation. When the Report of the Working Party becomes available, I trust you will set the record straight for your readers.

Yours sincerely,

Mary Redmond

Dr. Mary Redmond
Fellow of Christ's College, Cambridge
Chairman, Ad Hoc Working Party on the draft
Directive on Information and Consultation

so, and so prices stay high.

Japanese firms are miffed. Even as "voluntary" restraint deals go, this is a lousy one, they think. The deal, starting in 1982, carved up the European market by first allocating a minimum production level (1.3m sets this year) for European firms. Then the EEC and Japan forecast sales for each year, and handed the difference between EEC output and the forecast to the Japanese.

This is exactly opposite to the car export deal with America, which fixes Japanese exports first, and then gives the rest to the Americans—enabling Japanese car makers to raise prices for a guaranteed market, or sell fancier models. In the EEC deal, Japan's ministry of international trade and industry (Miti) ensures that Japanese manufacturers do not cut their prices of videotape recorders below the Europeans'. But, since the number of units they can sell is not fixed, if they raise their prices to increase profits they (unlike the carmakers) risk losing sales they could otherwise make.

No matter, thought the Japanese. For 1984, their forecast told them that total EEC sales should be 6.3m sets, leaving them a market for 5m. Wrong. This year, sales look like ending up at only 4.6m sets, 3% lower than in 1983. Before trade was restrained, Europe was the fastest growing VTR market, accounting for 38% of demand in 1982. Now America has taken over, accounting for 50% of world output in the first six months of 1984, against 13% in Europe.

This is partly because videotape recorders became popular earlier in Europe, and America is catching up. Around 17% of households in each region now have sets. But American demand is growing as prices fall. Jardine Fleming Securities predicts that sales will increase by 16% in America next year and fall by 4% in Europe.

If the restraint deal is to survive, Japanese makers will have to trim exports by nearly 35%, which they are loth to do. The EEC's industry commissioner, Viscount Etienne Davignon, will go to Tokyo next month in a bid to persuade them. To keep him happy, Miti is twisting the Japanese firms' arms.

But the exporters know that next year South Korean firms such as Samsung, Daewoo and Goldstar will be free to export recorders under their technology licence deals with the Japanese. In America, competition will be fierce. Japanese firms are likely to force prices to rock bottom to try to beat off the South Koreans. A protected Europe promises a softer, fatter market for the newcomers.

Meanwhile, European firms such as Philips and Grundig are being protected in a market that is fast turning mature. The difference between the Europeans and the Japanese was illustrated last week by a new product launched by Sony in Tokyo. Compact-disc players (which play high-tech records read by lasers) have sold slowly because there are too few prerecorded titles. So Sony's boss, Mr Akio Morita, the man who dreamed up the Walkman cassette player, announced a portable CD player that is a quarter of the size (5" by 5") and half the price (Y49,800, or $200) of its old models. The CD-player market is now expected to boom—at least by Mr Morita. In Europe, where manufacturers have demanded and got a 15% tariff on CD-player imports, sales are likely to stay sluggish.

Not very fancy free

NEW YORK

What will all these new American videotape recorder owners be watching? Old Paramount films, if the company's new marketing ploy pays off. Paramount is cutting the price of cassettes of the 25 best-selling films (ranging from "Saturday Night Fever" to "Footloose") in the list of its home video subsidiary by 40% to $24.95. The company and its tape supplier, Minnesota Mining and Manufacturing (3M), hope that, as well as more than quintupling annual sales to 1m cassettes, they will claw back a big chunk of the $1 billion home-video market from the rental companies that now dominate it.

Paramount's target is the street-corner stores that rent out a stock of cheaply-acquired ageing tapes plus a small stock of newish ones, often at prices below $2 a night. Apart from the direct loss of sales, the studios worry about the secondary effect such stores have by selling off excess stock once a film title is no longer hot. This lowers costs of entry into the business for new dealers. Once upon a time, retailers used to carry 800 new titles; today they can get away with less than 100, make up a backlist and offer cut-priced second-hand tapes which are no longer needed for renting out.

With the home-video market expected to grow to about $5 billion by 1988, the film studios are becoming increasingly astute marketers. Last month, Paramount re-released the film "Footloose" to cinemas to coincide with the launch of its videotape version of the film.

The smart way for film companies that want to sell home videos in high volume is to operate more like record companies

than film distributors. Warner Communications, which got its fingers burnt over the distribution of Atari video games, is already selling videotape versions of its films through its WEA music division. Taking note, Paramount is working on reorganising its distribution network next year.

One problem is that record stores may prove better at selling music videos, which are proving increasingly popular, than feature films, whose audience—though richer—is older.

Vredeling

The end

BRUSSELS

The Irish government, which currently holds the presidency of the EEC council of ministers, is trying to resurrect the Vredeling directive. This would give workers in multinational companies some formalised rights to be consulted about decisions directly concerning their jobs. But employers' lobbies from Detroit to Birmingham to Osaka, which have spent a small fortune lobbying against the proposal, need not now feel unduly worried. Though nine out of the 10 EEC member states are willing to go along with it, Mrs Margaret Thatcher can be relied upon to block Vredeling for them.

It is now four years since Mr Henk Vredeling, a Dutch Socialist, rushed out the first version only a few weeks before the end of his term of office as EEC social affairs commissioner. At first, few took his recommendations seriously because they were regarded as too obviously tilted to help the unions. Employers' opposition was so strident, though, that most of the independent members of the EEC's advisory economic and social committee came down on the unions' side. But in the European parliament, the centre-right majority so emasculated the draft that all the Socialist and Communist members finally voted against it.

Mr Ivor Richard, the British commissioner who succeeded Mr Vredeling, then rewrote the directive, compromising between improved workers' rights and safeguards for companies' commercial interests. The main requirement of the revised draft, which applies to companies with more than one workplace, whether multinational or not, is that the workers'

High-tech rec for busy exec

NEW YORK

Move over, Pac-Man. Instead of adolescent fantasies of zapping space invaders or exorcising ghosts, the latest computer games cater to more adult daydreams like becoming a zillionaire. They are selling well—and making the games' producers real millionaires.

One of the first business computer games was dreamt up last year by a Californian firm called Blue Chip Software. The game, called Millionaire, is now selling around 2,000 copies a week. Blue Chip's turnover will be around $20m this year. Not bad for a company whose president, Mr Bob Slapin, admits is "only six months out of the garage".

To play Millionaire start near-skint with only $10,000 crackling in your electronic pocket. On the screen, a chart flashes up showing what happened to a portfolio of 15 blue-chip shares in the past three months—plus some news headlines (eg, US Steel cuts dividends; GM says revenues are up, IBM takes chapter 11). Buy and sell the shares accordingly. The computer then works out how the new mix of shares performed, what brokers' fees and taxes have to be paid and—the nice bit—how much money you have made. The screen then flashes up an updated price chart and some more news. The aim is eventually to make $1m.

It's not like real life, of course. Or is it? The game mimics conventional trading wisdom: cut your losses and leave somebody else to take the last penny profit. Its headlines reflect the power of newspapers, however ill-informed, to move markets. Many stockmarket strategists trade by following the movements of share-price charts.

Millionaire's inventor, Mr Jim Zuber, can hardly be recommended as a professor of investment. He lost half his money on the only occasion he invested on Wall Street. Some of his soon-to-be rivals, however, have better credentials. New York's Comex, the metals-trading exchange, is about to start marketing its own commodities game. Now who will come out with the first Silicon Valley start-up computer game?

representatives should be given the same information as shareholders, and that they should be offered consultations on changes involving closures or working practices at least 30 days in advance.

The unions did not like all of what Mr Richard had done. He raised, from 100 to 1,000 workers, the minimum size of firm to be covered by the directive. He widened the grounds on which employers could conceal commercially sensitive information. But, on the half-a-loaf principle, the unions gave the Richard version their blessing. Not so the employers, who have maintained all along that American and Japanese investment in Europe would be frightened away if the directive were adopted.

The revised Vredeling proposals can take effect only if unanimously approved by the council of ministers. In principle, nine of the 10 member governments are in favour. Only Britain is against: Mrs Thatcher feels strongly that consultation procedures should only be introduced voluntarily. The Danes and the West Germans have reservations about the wording of some of the provisions, so the Irish have set up a working party—chaired by Ms Mary Redmond, a lecturer in industrial relations at Cambridge—to seek an agreed text to put before the next meeting of the social-affairs ministers of the Ten in December.

Reports out of the Redmond group suggest that agreement is now near. So Mrs Thatcher may need to apply a British veto in December if she is to prevent the directive being adopted. Few in Brussels doubt that she will do so. They remember how she insisted last summer on stopping a commission recommendation on work-sharing which her own employment secretary, Mr Tom King, had been happy to let through.

Arctic oil

Gulf gushes

TORONTO

Gulf Oil's Canadian subsidiary is normally po-faced about its drilling results. So the fuss it has made about a strike at its Amauligak J-44 well in the Beaufort Sea has the industry buzzing with talk about a big oilfield, perhaps even an Alaska-scale oilfield, off Canada's Arctic coast.

The well is 75km north of the hamlet of Tuktoyaktuk in the north-west of Canada's Northwest Territories. According to preliminary tests, it will have a production capacity of 13,600 barrels a day. Company officials say total reserves of the field could add up to 400m-500m barrels, and predict the development of a commercial field large enough to justify building a pipeline southwards along the Mackenzie river valley.

Oil analysts are more cautious. They note that the oil zone in Gulf's well is fairly thin and that geological structures in the Canadian Arctic differ markedly from Alaska's North Slope. They remember that Gulf Canada was one of the Gulf assets that Gulf's new owners, Chevron, said they might flog off to cut the $11 billion in debt they took on to make the purchase last spring. A big find, presumably, would make Chevron more reluctant to sell. None the less, the latest discovery is cheering after the string of disappointments suffered by the three companies that have led the search for oil in the Beaufort Sea and the even more northerly Arctic islands—Gulf, Dome Petroleum and Imperial Oil (Exxon's Canadian subsidiary).

Heavy ice has interrupted Dome's drilling programme, and the company has already abandoned one of this year's five exploration wells. It might have given up altogether were it not for the generosity of a Liberal government subsequently buried in a general election on September 4th. Over the preceding three years, the government of Mr Pierre Trudeau gave the oil companies grants worth C$2.3 billion ($1.9 billion), 41% of them for work in the Beaufort Sea and another 5% for the Arctic islands. The grants cover up to 80% of exploration costs.

Gulf, Dome and Imperial have further eased their financial burden by finding partners to share costs in return for a modest slice of future profits, if any. Gulf, for example, is bearing less than a quarter of the cost of the Amauligak well, but will get 49% of any profits.

Gulf and other foreign-controlled oil producers have had a vested interest in finding Canadian-controlled partners. Mr Trudeau's exploration grants were part of his controversial national energy programme, which was supposed to give Canadians greater control of their oil and gas industry. The size of each grant has depended on the degree of local participation. The new Tory government of Mr Brian Mulroney has promised to stop discriminating against foreign-owned oil companies and to replace exploration grants with less costly tax incentives.

Mr Mulroney has also rightly been critical of the way Canada's domestic oil prices are held below world prices. Oil from wells drilled before 1974—almost two thirds of Canadian output—fetches only 80% of current world prices.

(6)

THE IMPORTANCE OF MANUFACTURING

Line to Take

- The Government welcomed the results of the CBI Quarterly Industrial Trends Survey. This repeated the pattern of recent surveys on manufacturing output, orders and investment. The results on export confidence were particularly encouraging.

- The Government are not imposing burdens on manufacturing "to prove Milton Friedman's economic theory", as was said at the CBI Conference. Indeed financial and economic policies are specifically targeted at strengthening the competitiveness of manufacturing and the "supply" side of the economy. That is what reducing inflation through restraining public spending and monetary growth is all about. Credit should be given for what has been achieved in adverse conditions - inflation and interest rates down and reduced burdens and controls.

- The Government recognise that manufacturing matters and are not biased towards services. The DTI gives enormous assistance to manufacturing: 90% of its direct assistance to industry, around £1500m this year, goes on manufacturing. Regional aid, innovation grants, technical advisory services, all favour manufacturing. The CBI should nail this canard once and for all.

GP1a
16 November 1984

THE IMPORTANCE OF MANUFACTURING

Background

1. Latest available statistics indicate that in 1982 manufacturing output constituted 24.3% of GDP compared to 61.5% for service industries. In terms of employment, 6m work in manufacturing compared to 13m in services. Despite falls in the contributions of manufacturing to GDP and employment in recent years, exports of manufactured goods have remained at about twice that of services. Interdependence between the sectors is considerable: services accounted for 13.4% of manufacturing costs and manufacturing accounted for 11% of service industries costs (1979 statistics).

2. Following rapid growth in the second half of 1983 manufacturing output has changed little. In the third quarter it was ½% higher than the previous 3 months, and 1½% above the level of a year earlier.

3. By contrast the latest CBI Quarterly Industrial Trends Survey, published on 30 October indicates that output growth is still proceeding and is expected to continue, although the rate of increase is slowing slightly. Despite poor indications on general business optimism demand is reported to be growing and is expected to grow faster in the coming four months. Export confidence has rebounded sharply and export orders and deliveries have continued to increase. Further rises in investment are forecast over the next twelve months with no slackening in the rate of increase.

4. The current account of the balance of payments is estimated to have been in deficit by £0.7 billion in the third quarter of 1984: the deficit in manufactured goods was £1.4 billion and the surplus on trade in oil rose by £0.3 billion to £1.8 billion. The deficit on trade in manufactures reflects in the balance of payments the strong surplus on trade in oil.

GP1a
16 November 1984

DES

7

THE MINERS STRIKE

A Support for the Government's position

1 The CBI have strongly supported the Government and the NCB and the Prime Minister may wish to express appreciation of this support.

2 At the CBI Conference Sir James Cleminson's opening speech emphasised this support. In particular he said:

> ". . . as CBI we stand 100 per cent behind the policy of the National Coal Board. Scargill is proud of the fact that he hasn't budged one inch. As a result he is not only behind the policy of putting the jobs of his own members at peril by his actions - he has put more jobs in the energy intensive industries at risk. Perhaps most serious of all, if he were allowed to succeed, the example he would have set to extremists in others sectors, would be profoundly damaging to industry as a whole. Let the message go out from this Conference today that we too stand firm".

3 This view was reflected by the Conference as a whole which overwhelmingly supported a motion by CBI W Midlands Regional Council that "this Conference states categorically that economic progress continues to be impeded and job opportunities lost by irresponsible strikes led by politically motivated union leaders".

B Electricity Prices and Costs of the Miners' Strike

Background

The CBI are always concerned about electricity prices for industry, particularly comparisons with EC competitors. Recent price and exchange rate movements have brought UK prices more into line with those in the EC, although there is still a gap, to the UK's disadvantage, for the heaviest users. The CBI are particularly concerned (and wrote recently to the Chancellor on this) lest the extra costs of the maintaining electricity supplies during the strike are recouped through higher electricity bills thus increasing the competitive disadvantage of the heaviest users. The CBI would prefer the costs to be met centrally, ie, by the taxpayer.

Line to Take

- note the CBI's concern. There is no doubt that the costs will have to be met but the Government has not yet taken any decision on the most appropriate way of doing so.

(8)

AUTUMN STATEMENT: ELECTRICITY AND WATER CHARGES

The CBI support the briad thrust of the Autumn Statement but are concerned about the prospect of increased electricity and water charges.

Electricity

Next year's EFL is £-1128m (compared to £-740m fro 1984/54). Prices are for the industry to determine but the EFL is consistent with price increases averaging below the rate of inflation. This was confirmed by the Chairman of the Electricity Council before the Commons Select Committee on Energy when he said that next April's price rise would average 4.5%.

There operate at present load management schemes, of which the Consumer Contracted Load is the most important, which assist the heaviest industrial users. The continuation of these schemes is a matter for the Electricity Council but allowance has been included in the EFL for them to continue.

Line to Take

- Next year's prices are for the industry to determine in the normal way. But the EFL is consistent with price increases averaging below the rate of inflation. There have been no significant increases in industrial electricty prices since 1982.

- It is up to the industry to decide whether the present schemes of assistance to heavy industrial users are to continue but the Government has set the EFL to take account of these schemes.

Water

Next year's provision for investment is significantly higher than this - £846m against £778m, up £68m. This will enable faster progress to be made on replacement and maintenance of sewers and mains (which the CBI have been advocating in the infrastructure context). But the EFL is lower (£203m against£284m for this year) and the increased investment is to be met through higher financial targets. Increases in charges are a matter for the Water Boards but they are expected to be in the range 10% - 12%.

Line to take

- Hope the CBI will welcome the increased provision for investment. But it has to be paid for and at a time of public expenditure restraint the Government decided the most appropriate way was increased financial targets. (The return on the water industry's assets is still not high compared to the private sector or even some nationalised industries.)

(9)

PRIME MINISTER'S MEETING WITH THE CBI

SCRUTINY OF ADMINISTRATIVE AND LEGISLATIVE BURDENS

LINE TO TAKE

Scrutiny is focussing on compliance costs borne by small businesses in administering taxes and benefits (PAYE/NIC, VAT, SSP); and in coping with controls in areas like health and safety at work, employment protection, planning, fire and building regulations, consumer and company law.

Understand scrutiny team have been in touch and will welcome CBI views. As has been explained, very tight timetable requires very quick response. Hope CBI can submit something, formally or informally, no later than early December.

BACKGROUND

The scrutiny of administrative and legislative burdens, agreed at the Prime Minister's meeting on 24 July, started in mid September. The 7 Departments involved under the leadership of DTI are the Inland Revenue, Customs & Excise, Department of Employment, Department of Environment, DHSS, Home Office and DTI. The purpose of the scrutiny - as has been explained to the CBI - is to review the burden imposed on business - particularly on smaller businesses - by the administrative and legislative requirements of central and local government; and to identify the main obstacles to securing a substantial reduction in the cost of compliance with these requirements and the areas in which reductions will make the biggest difference to businesses, especially to smaller businesses. The scrutiny will make recommendations on the amendment of existing requirements and the continuing control of compliance costs.

2 Major issues touching the levels of taxation and of national insurance, and the distribution of the tax/contribution total, are outside the scope of the study, as is consideration of broad issues of economic deregulation (though Lord Young's Enterprise Unit may examine these in a wider context).

3 The Scrutiny Team was in touch at an early stage with the Director of the CBI's Smaller Firms Council. We understand

the CBI may make a fairly wide ranging trawl of their internal committees and regional network before replying.

4 It is not clear whether the CBI will limit their trawl to matters within the scope of the scrutiny or whether they will be covering wider deregulation issues too. We have warned them of our very tight timetable and that we need their views, formally or informally as they prefer, as soon as possible and by very early December at the latest. It would be helpful to stress both that the Scrutiny is concerned principally with compliance costs, and the need for a speedy response.

DTI

16 November 1984

LINK BETWEEN PAY AND JOBS

Points to Make

(i) Lower growth of real wages in relation to productivity should produce more jobs by increasing profitability and encouraging a higher level of output.

(ii) Lower growth of real wages will increase the attractiveness of employing labour rather than other factors of production.

(iii) The evidence suggests that for the UK, a 1% change in the average level of real earnings will, in time, make a difference of between $^1/_2$ and 1% to the level of employment. That will mean, probably, 150-200 thousand.

(iv) Over the past two years average earnings have risen by nearly 3 per cent more than prices. Look set to do the same this year. If instead average earnings had merely kept pace with prices, the number of extra jobs created would have been about 500,000 a year. [Effect not instantaneous - takes several years for pay levels to have full effects on employment.]

Defensive

Lower wages mean lower spending and a lack of demand. This ignores a number of factors which will tend to boost demand. Within the framework of policy which the government is operating, lower inflation will lead to lower interest rates and possibly lower tax rates. The savings ratio is likely to be lower, and our international competitiveness should be improved. Higher profitability and company income will increase company spending.

No evidence of a link between pay and jobs. The Chancellor referred to evidence of a link in his speech on 30 October. The evidence he quoted was based on both academic studies in the UK and unpublished Treasury work. Furthermore, it is supported by model simulations - eg those conducted by the London Business School.

"Experience in the US shows that expansionary fiscal policies are necessary to increase employment. The rise in employment in the US has taken place over many years particularly in the 1970s when the stance of fiscal policy was becoming less expansionary. The key has been a very much more flexible labour market which has generated many more jobs than in the UK and the rest of Europe. Moreover, the US deficit - which is ultimately unsustainable - has only been sustainable up to now because of the special position of the dollar as a reserve currency. The deficit would not be sustainable in any other country and, even in the US, is adversely affecting many sections of industry."

In some regions low wages are associated with high unemployment? This ignores other factors, and in particular demand. Regions with a concentration of industries worst hit by the recession or by long-term structural changes are least able to pay increases in wages, and also experience the largest increases in unemployment. Nevertheless it remains the case that lower wage increases would have led to smaller increases in unemployment.

A low wage/low productivity economy is undesirable. A high wage/high productivity ecnomy is undoubtedly better, but the higher productivity must come first. To attempt to force higher productivity by first achieving higher wages is a recipe for increasing unemployment, as we have seen in the last few years.

Lower nominal wages mean lower prices, implying unchanged real wages? Lower nominal wages normally lead to lower real wages, though the effect is likely to be less than one for one because prices also tend to be reduced. However both lower real wages and lower prices tend to boost output and employment within a given nominal framework of policy ie given PSBR and monetary targets.

US jobs, labour market and fiscal policy

Criticisms

(i) Real earnings in the US have risen over the last year or two, and therefore could not have been responsible for the growth in employment (eg Simon and Coates Economic Analyst, 6 July 1984).

(ii) US fiscal policy has been much more expansionary than in the UK, and has played an important part in the reduction of unemployment in the US (eg Simon and Coates, op cit, Wynne Godley and Sir Douglas Wass - both in Financial Times 29 June 1984).

(iii) Empirical evidence suggests that real wages have not been especially flexible in the US. (Metcalfe in August NIESR)

Facts

(i) Between 1973 and 1983 employment rose in the US (+18 per cent) and fell in the UK (-5 per cent) while real weekly earnings fell in the US (-14 per cent) and rose in the UK (+14 per cent).

(ii) US employment rose by 13 million between 1975 and 1979 during period when fiscal policy was moving in a restrictive direction. Between 1979 and 1983 there was only a 2 million increase in employment while fiscal policy became much more expansionary.

(iii) However, between end 82 and now US employment rose by over 6 million -a period when US fiscal policy was quite expansionary. However, the deficit has led to high real interest rates which have had a dampening effect on employment and output. One of the main reasons for increased US employment is labour market flexibility.

(iv) General government financial balances (Source: OECD Economic Outlook July 1984)
Surplus (+) or deficit (-) as percentage of nominal GNP/GDP

	1979	1980	1981	1982	1983[a]
US	+0.6	-1.2	-0.9	-3.8	-3.9
UK	-3.2	-3.5	-2.8	-2.1	-3.7

[a] OECD estimates.

Lines to take

(i) The fiscal deficit in the US may well have had some favourable short-term impact on output and employment. But over the longer-term fiscal expansion inevitably leads to "crowding-out. especially when accompanied by monetary restraint. It is longer term trends that are important and they suggest that it is flexibility of labour markets and real wage restraint that has created jobs in the US. The main reason for increased US employment is labour market flexibility.

(ii) the present US policy mix of fiscal expansion and tight monetary policy is ultimately unsustainable. There is a high risk of even higher real US interest rates. contributing to further pressures on the foreign exchange markets and on LDC debtors.

(iii) The short-run correlation between adjusted budget deficits and employment is not as close as some of the critics have claimed.

(iv) Considerable doubt attaches to the precise measurement of adjusted budget deficits and. more fundamentally. to the relevance of the concept as an indicator of fiscal stance.

(v) The policy options open to a large reserve-centre country like the US are not necessarily open to a small country like the UK. In this context the attempt by the French government to pursue expansionary fiscal policies in 1981 provides a salutary warning.

(vi) Recent empirical work which claims to show that US labour markets have not shown much flexibility is unconvincing. Simple measures of the variability of real wage changes in different countries are not a good guide to the relative efficiency of the labour markets in those countries. Other studies such as those of Sachs do indeed show that US labour markets are flexible.

(vii) Finally. not all outside commentators have been critical of the Chancellor's remarks on the US. Professor Maynard. for example. gave them strong support. stressing the contribution of a flexible labour market to the growth of US output and employment (Financial Times 29 June 1984).

Source: EB Division

C.f. - CBI Eastbourne?

TEL: BLAIRGOWRIE 2025

ROSEMOUNT HOUSE
BLAIRGOWRIE
PERTHSHIRE

14th November, 1984

Ms. Caroline Ryder,
Private Secretary,
10 Downing Street,
London.

PA
DMB
KB/11

Dear Ms Ryder,

Thank you so much for your letter of the 1st November which unfortunately arrived during my absence so I apologise for the delay in replying.

It was extremely thoughtful of you to write and I am glad that the Prime Minister is now safely home again. She was greatly missed at the Conference, but our President read her letter to us which was extremely well received. However, they rightly thought that there was no second best in this case so nobody else was asked to substitute for her, which I think may have caused the Mayor of Eastbourne a little embarrassment in that the reception went on for an hour and a half longer than was anticipated.

The Conference was a great success if a little flat as everybody seemed well contented with things. From our personal point of view, we had a great success down there with our little exhibition stand and over the next few months, I anticipate a lot of new business; unfortunately, most of it is to remain in this country although more importantly, we have had one or two enquiries for work overseas.

Once again, many thanks for your kind thought in writing and I send my best personal wishes.

Sincerely,

Patrick Stewart-Blair

IND POL PT 4

Mtgs with CBI

MJ Ack'd 12 11

(PO asked to return booklet)

12 November 1984

I attach a copy of a letter the Prime Minister has received from Mr. Malcolm Matson.

I should be grateful if you could let us have a draft reply for the Prime Minister to send to Mr. Matson, to reach us by Wednesday 21 November.

I am copying this letter and enclosure to Andrew Lansley (Department of Trade and Industry).

David Barclay

Mrs. Christine Heald
Home Office.

FILE

10 DOWNING STREET

From the Private Secretary

12 November, 1984

Thank you for sending copies of the speeches you and Sir James Cleminson made to the CBI Conference. The Prime Minister looks forward to discussing the issues raised in them when you come to report on the Conference on 21 November.

(Andrew Turnbull)

Sir Terence Beckett, CBE

24 UPPER BROOK STREET
LONDON W1Y 1PD
TEL: 01-409 2339

9th October 1984

R10

The Rt. Hon. Mrs. Margaret Thatcher, MP
10 Downing Street,
London SW1

Dear Prime Minister,

I appreciated your Private Secretary writing to inform me that the unfortunate death of Mrs Gandhi prevented you from attending the CBI Conference and visiting The Cable Industry exhibit.

It proved a useful opportunity to demonstrate that Cable is making progress in the UK and given the avid attention paid by many of the leaders of British industry to the live satellite fed programming we were showing, it further substantiated the market demand!

Nevertheless, the continuing delay in issuing all necessary licences to the successful eleven operator applicants of 1983 which in turn has largely contributed to the several recent commercial withdrawals from the industry, has further eroded the confidence of the City and other potential investors in Cable who suspect that the Government's commitment may be wavering. Like many others closely involved in Cable, I have no reason to think likewise and it was comforting to hear from Mr. Geoffrey Pattie MP when he visited The Cable Industry exhibit that such confidence on our part was not misplaced. However, it would be of considerable benefit to the Cable Industry if a positive statement could be made by yourself when the membership of the Cable Authority is announced which I hope will be as soon as possible after the successful British Telecom share issue. I appreciate that this must take priority.

I am enclosing a copy of the brochure I prepared for the CBI Conference which may be of interest to you and from which you will see that we remain optimistically committed to achieving the Government's objectives with respect to the development of broadband cable systems in the United Kingdom.

Yours sincerely,

Malcolm J. Matson

enc

cc Mr Alison
Mr Turnbull
Miss Wallace

File

PRIME MINISTER

MANUFACTURING INDUSTRY

Had you been able to fulfil your CBI engagement, I would have given you a note about your need to demonstrate your concern to see a healthy, thriving and if possible expanding manufacturing industry.

It was clear from the resolutions tabled for the CBI conference that the notion is abroad in industry that manufacturing is numbered among the things about which you do not care.

I had already been struck by the force with which the question: "Does the Prime Minister really care about manufacturing?" had been put to me on a visit to Rolls Royce, Derby.

But this question came at me again last evening when I addressed a private meeting of senior industrialists on media relations.

On each of these occasions I have made the following points:

i. Of course, the Prime Minister is concerned to have a strong, viable and growing manufacturing industry; it is utter nonsense to suggest otherwise. Where, without a strong manufacturing bases, are we to find the jobs and provide the basic economic wherewithal?

ii. Your enthusiasm for small firms, hi-tech and service industries does not mean manufacturing is out of favour; it simply means that you are facing up to change, recognising the trends.

iii. In any case, there is nothing incompatible between a virile manufacturing industry and small firms, hi-tech and service industries. Indeed, many small, preferably hi-tech, firms serve manufacturing industry and are to that extent part of it.

iv. Nonetheless, I think we have got our presentation out of balance. We need to extol the virtues both of strong, competitive manufacturing and small firms and hi-tech and service industries.

I think it would be most valuable if you could soon make these points, and especially point iv. above.

The big manufacturers at last night's gathering saw as one of their missions to encourage their small firm suppliers to introduce their high technology and methods currently at their disposal in order to enhance their competitiveness.

BERNARD INGHAM
9 November 1984

file

BM

10 DOWNING STREET

From the Private Secretary

8 November 1984

CBI

When the Prime Minister wrote to Sir James Cleminson to explain that she could not attend the CBI Conference last weekend, she invited him and Sir Terence Beckett to come in afterwards and tell her how it went.

We have arranged such a meeting for Wednesday 21 November at 12 noon. The Prime Minister will see the President and the Director General on her own. She would be grateful for a brief from your Department. Perhaps this could cover the main issues raised at the Conference, and also the question of what the CBI can best do to help the Government at present, since Sir James has said that he would like to raise this.

Brief (2)

Could you please ensure that the brief is prepared in consultation with the Treasury, and other departments as appropriate; and that it reaches us by close of play on Monday 19 November.

Brief (1)

(David Barclay)

Callum McCarthy, Esq.,
Department of Trade and Industry

Caroline

Please fix & return to me to commissioner briefing.

DMB 8/11

PRIME MINISTER

You invited Sir James Cleminson and Sir Terence Beckett to come and talk to you after the CBI Conference; and they would like to take you up on this. In addition to reporting on the conference, they would like to discuss in more general terms relations between the Government and the CBI.

In Mr. Tebbit's absence, you may prefer to see them on your own, rather than with just the Chancellor.

Agree to a meeting as soon as convenient, after the Guildhall speech?

DMB

Yes mt

M. Barclay.

arranged for Wed 21 Nov. at 12 Noon

CR.

8/11

7 November 1984

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir Terence Beckett CBE
Director-General

CBI

7 November 1984

Dear Prime Minister,

Having now returned from Eastbourne, where we had a most successful Conference, I thought you would like to see in full both my speech and that of the President.

James Cleminson and I look forward to seeing you in the near future and giving you a full account of the debates.

Yours sincerely,

Terry Beckett.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London,
S.W.1.

CLOSING ADDRESS BY

SIR TERENCE BECKETT

AT THE CBI NATIONAL CONFERENCE

EASTBOURNE 1984

Mr President, Ladies and Gentlemen,

The closing speech at this Conference is beginning to assume a far greater significance than I had ever supposed, because - I don't know whether you are aware of it - a lot of people outside the CBI are trying to get in on the act.

On the other side of the Atlantic, the one issue both of the American political parties have been united on - and they have been thinking about little else for the last few months - is how to stop the CBI stealing all the headlines in tomorrow's papers.

Meanwhile, on <u>this</u> side of the Atlantic - at just this very moment in fact - there is <u>another</u> speech being made in that <u>other</u> place - you know - the place MPs never think of going to. Till they retire!

../..

So Ladies, and Gentlemen, right at the beginning of this address, I should like to say how much my Ministers.....I'm sorry, "my Members and I" - appreciate the importance of competition and to say how pleased we are that this part of the CBI message is at last being understood and practised.

But making a public impact is only a subsidiary purpose of our National Conference. It is the one opportunity we have in the year to discuss CBI policy as a whole and there is no doubt we have taken advantage of the opportunity this year. Our debates really have been an Agenda for Enterprise, tremendously varied, stimulating and well-informed. They will be of the greatest help, together with the discussions already held in our Regional Councils, in shaping the CBI's Medium Term Business Strategy. This we intend will complement the Government's Medium Term Financial Strategy and we want to announce it in the second quarter of next year. And then hammer it home hard.

../..

The dominant issue to which a number of speakers have quite rightly referred, is that of unemployment now at 3,200,000 with high unemployment amongst our youth and the growing problem of the long-term unemployed. This concern simply will not go away.

The fact is that when the chill of world recession really started to bite, many of us were not as well prepared to meet it as our competitors abroad. We were over taxed, over-manned and over-governed. For forty years we dedicated far more of our thought in this country to how we should spend rather than earn money. Worse, those parts of our democracy totally dependent on business as the wealth creators not only didn't understand what is needed for industry to succeed, but either condoned or actively promoted measures that damaged industrial performance.

../..

We were hopelessly uncompetitive. What we have had to do in the last few years has been to restructure British industry. Too long delayed, but it had to be undertaken even to hold the jobs we now have and to earn a satisfactory living in a rapidly changing, increasingly competitive world. That is why unemployment is so high in Britain today.

In the CBI's Cave Report on Unemployment the over-riding conclusion was that competitiveness was the only real road to more jobs. Specifically we rejected reflation as an alternative option because it would increase our costs more than our competitors'. And cause more unemployment. We have yet to convince most Trade Union leaders and many people in three out of four of our political parties that what they understand as Keynesianism is a busted flush. Remember how, in the seventies, with demand management and incomes policies, we increased our pay by 266 per cent and our productivity by 19 per cent. No, increasing money demand does not, necessarily, increase real wealth. Unemployment grew throughout the seventies in spite of it. And if demand is thought to be the problem, there is no shortage of demand in this country today. Look at the volume of our imports, or the 14 million people, yes 14 million, who went abroad on holiday last year. We have just got to get more of that demand coming in our direction.

../..

You remember the story of the man who bought a donkey, a magnificent specimen. The only trouble was when he got it home he could not get it to move. He got all his farmer friends in. Every combination of carrot and stick was to no avail. Finally he was persuaded to engage a donkey psychologist, a man of infinite subtlety and guile. This man took one look at the donkey. Then he reached for a long piece of four by two timber, raised it up high and crashed it down on the donkey's head. The owner was appalled. He had paid good money for his donkey. He didn't want it brained, he protested. The psychologist was as unperturbed as the animal. "Rule number 1 in the handling of donkeys", he said, "is first to get their attention".

../..

Ladies and Gentlemen, what we have to impress on our fellow countrymen is that the only real cure for unemployment is the enterprise that this Conference is all about, providing products and services with extra value that people want at prices people can afford to pay. Or put another way, selling goods that don't come back to customers who do. That is still not understood by enough people in this country, even today.

In the Cave Report we pin-pointed a number of possibilities that would help unemployment such as job splitting, phased retirement, compensation for short time work and the Youth Training Scheme. But we also drew attention to two labour intensive areas that should be cultivated: the Infrastructure, and Tourism and Leisure.

../..

On the Infrastructure we published our Report in July of this year called: "The Fabric of the Nation". Its central thrust was the need to cut the costs - of road transport, for example, so that we could more successfully compete overseas. It costs twice as much per ton mile to move our goods to market as it does in Europe. If we want to get more business for this country, this is an obstacle that must be removed. But investment in the infrastructure would also provide jobs. So that no-one should imagine our proposals would be inflationary, simulataneously with "The Fabric of the Nation", we published the McAlpine Report showing how we could save <u>six</u> times the money needed for a modest Infrastructure <u>capital</u> programme by reductions in Government <u>current</u> spending.

If we cannot afford this type of prudent investment now, in recession, when the labour is available, when oil and gas are at peak output, and using 100 per cent domestically produced materials, when <u>will</u> we? Let

../..

opponents to our programme answer that question. None of our main manufacturing centres is connected by continuous motorway to the ports serving Europe where 60 per cent of our export business now goes. And by the end of this Century - probably only three governments away - road traffic will be at least a third heavier than it is today. Congestion, delay and increased costs rise as the square of the increased traffic imposed on the system. We need action on the Infrastructure NOW. I call on your full support to get it across.

Turning to the opportunities in Tourism and Leisure. I am pleased to announce today we are commissioning a detailed study on how the £8 billion a year tourism industry can be expanded. The growth potential is obvious. In 1982 some 11.6 million overseas visitors to Britain spent more than £3 billion. Tourism and Leisure are labour intensive and with proper development can provide more jobs. This area needs priority attention if we are serious about where the new jobs will come from.

../..

Training though is vital. It is absolutely essential if we are to have the skills to create jobs and prosperity in the years ahead. As the President pointed out yesterday, the doubling of the Youth Training Scheme to include 17 year as well as the 16 year olds will need not just an extension, but a fundamental restructuring of the whole scheme. We in the CBI did a tremendous job in finding 300,000 places for youngsters in the worst recession for fifty years. But to double the scheme will be a much greater challenge. It is not going to be easy. I ask you to join us in carefully thinking this through so that when we put our shoulders behind it, we achieve as big a success as we did with the original Youth Training Scheme.

The CBI also intends to lend its weight to identifying the shortage of vital skills in Information Technology and help formulate what must be done to provide them. This is important not only for the I.T. companies but for the whole of industry and commerce where these techniques will need to be applied.

../..

Of course making Europe work is also essential for future jobs and growth. As we said in our debate on Monday morning, Europe has great potential, but its recent history in output, investment and employment is abysmally bad. The Commission has been enormously productive in its bureaucracy, but almost completely ineffective in creating a real common market in goods and services. And we have only ourselves to blame because as a country we have not dedicated sufficient time, talent and commitment to making Europe work. We have found it easier to sit back and criticise.

Britain can either stand aloof, or play an active part in reforming it. Surely we must be constructive because in transforming Europe we could transform British performance. With our Past President, Lord Pennock, as now the President of all the CBIs in Europe - UNICE - we must develop a clear voice in speaking to the European Commission and Parliament on what business needs to be successful.

../..

One day, soon we hope, our fellow countrymen will find their perceptions changing in some rather strange ways.

They will wake up to find Brussels and Strasbourg wield equal power with Whitehall and Westminster to affect the decisions of their lives. The kind of Government we have got used to, like a well loved partner with some occasionally curious little ways, has suddenly and disconcertingly developed two heads. We in the CBI must engage the attention of both, if we are to do the best job for our members and the people of this country. And we must be ready to tell the paper-pushers in Brussels how to find the way to the waste paper basket.

Looking at the CBI's relations with Whitehall and Westminster we have made very real progress since our last conference.

../..

I told you then, a year ago, that with one more push we would finally get rid of the National Insurance Surcharge. Well we pushed. And it went. Just four weeks ago we made our last payments of this pernicious Surcharge. It was a perversely stupid tax: a tax on exports, not imports. Worst of all it was a tax on jobs. In its heyday it cost business £3,700 million a year. It took £17,000,000,000 out of industry's resources in the worst recession for fifty years. We calculate it cost 300,000 jobs. Our politicians need to be reminded continuously that it is almost always easier to extinguish jobs than to recreate them.

Incidentally I was asked, about three years ago, whether the CBI should invest as much of its effort and credibility in trying to get rid of this tax. It was too easy to collect and we weren't going to get it removed anyway, they said; why waste our effort and damage our credibility? I believed then, as I believe today, that we must be prepared to pursue difficult issues no matter how daunting some of them seem. If by doing so, we can improve the performance of business and the prosperity of the people as a whole, then colleagues, we must!

../..

Take the capping of rates - an idea the CBI floated some five years ago. Although this measure has been criticised by the local authorities concerned, we believe it is an essential protection for business rate payers hanging on desperately in spend-thrift local authority areas. We commend the Government for having the guts to take it on. We must support them in this fight.

Our other continuing campaigns this year have been to bring home the arguments on pay, productivity and competitiveness. Pay this year is going to be the tough one. Difficult as it is going to be we must all try to hold the line. Remember one employer's pay award is another's rising cost. And someone else's lost job.

One achievement I should mention. We have worked hard to keep the National Economic Development Council alive when the TUC left it following Cheltenham. They are coming

../..

back now as you know. The reason why we made the effort didn't stem from any great enthusiasm for what the NEDC has actually achieved in recent years, except in the little Neddies where good work is done. Nor do we see much prospect of agreeing on major economic issues with the TUC. The CBI and TUC are miles apart on these. But we do believe there is a need to build bridges in our society to see if we can enlarge limited areas of common ground. Where we do differ we should try to understand one another's point of view.

Where do we go from here?

This coming year our budget proposals will be consistent with our recommendations for the Autumn Statement that the Government's share of total national product should be rolled back to the 1979 level, painful as that will be. We hope having trod the path of virtue on public expenditure that interest rates will come down. And in terms of monetary and fiscal policy that the twin

../..

objectives of growth as well as low inflation will be pursued.

We think that capital allowances need to be increased in the 1985 budget otherwise investment will fall off in 1985-86 and the years that follow. But the budget should continue to develop the theme of our previous proposals to lower the cost burdens on industry. Government must continue to be told that the burden on business is still too high. In addition this year tax thresholds must be increased to take substantial numbers of people on low rates of pay out of tax altogether. I am continually surprised travelling round the country to hear of the difficulties companies have in recruiting people even in areas of high unemployment. The gap must be widened between social security payments and take-home pay if work is to become more attractive. Taking people out of tax at the bottom of the pay scale would not only make work more worthwhile, but might even reduce the number of civil servants working in the Inland Revenue! It must

Silly

../..

pay to work - not be paid to idle - where there's work to do.

The whole of our tax system in this country cries out for root and branch re-examination and reform. We have a reforming Chancellor but industry and commerce must develop its own ideas on what should be done. We have therefore set up a powerful Tax Reform Working Party under the chairmanship of Sir Trevor Holdsworth, the Chairman of GKN, to devise a tax strategy for the eighties and nineties to increase the prosperity of the country and provide more jobs. I stress the long term nature of their studies. They are certainly commenting on our 1985 budget proposals but are primarily devising the type of tax proposals that will concern not only the rest of this Parliament but probably the next one as well.

The debate we had on the financing of enterprise is going to be of quite fundamental importance to us in the future. I hope you will read our book entitled "A Share in the Action". The aim is not only to provide

../..

the finance for future enterprise, important though this is, but to make share ownership as popular as home ownership.

The political consequences of the sale of council houses which makes rent payers into owners with a stake in society is a proto-type of major significance.

The final refutation of Marxism will come not from intellectual conviction any more than the religious wars of the 17th Century were settled by mutual understanding. These notions for which men were prepared to die, were finally resolved because the differences were seen to be irrelevant. Marxism will finally be extirpated when there is no longer a proletariat. A class that owns nothing, therefore has nothing to lose. We must engage the hearts and minds of people in the promise of the future. This is what we mean by involvement. But in addition we must give them a personal stake in business. In their own company if possible. Then we shall get a transformation of attitudes towards wealth creation, because it will be their wealth.

../..

On changing attitudes, look at what wider home ownership has done for the "Do It Yourself" industry. Look at what a share of the action has done for the performance of the previously state-owned National Freight Corporation and Associated British Ports. And then do look at our new book and see what you personally can do to make "A Share in the Action" a reality for your own people. It is very important to what we are trying to do together.

So, what is the outlook for Britain? Ladies and Gentlemen, I think it's one of real promise.

The Gallup Poll we published at the beginning of this Conference shows some improvement for the first time in job prospects. We are getting some growth in the economy. Nothing too spectacular, but real growth. Investment is up 16 per cent over last year and profits are getting back to the levels of twenty years ago. That is not good enough either but it's a tremendous improvement on where we were. All of which is very encouraging.

A very great deal has happened in the last five years to bring home to everyone the importance of new attractive products, of creative and professional marketing and installing the kind of equipment that will get our costs down to a world competitive level. Management has developed a new confidence in its effectiveness, each seeing its particular ship answer to the helm. We still

../..

have a long way to go, but where there are short-comings it shows what the upward possibilities for the British economy could be.

Sadly, too many of our new smaller businesses are going under, very often because the entrepreneur only brings one skill to market. He can invent, but cannot make. He can make, but cannot sell. Or he can sell, but has no real skill with money. Partnerships can help here but I have also seen local business groups talking real horse sense to people preparing to set up new small businesses. But we could do with a lot more of it at grass roots level.

Plato said that our kings would have to be philosophers, and our philosophers kings, in a better world. As far as we are concerned our entrepreneurs must become better managers. But in our medium and larger sized companies, managers must become better entrepreneurs. And it is the job of top management to structure the larger company,

../..

of personal experience, the Cortina twenty years ago had to create a market that did not exist before. It became the best selling and the most profitable car in Britain for twenty years because we found by progressively exploring the possibilities of the market, that with the different De Luxe, G.L. and Lotus versions, we could add value more rapidly than cost. It was what the customer wanted and meeting his needs achieved far greater profitability than we had ever known before.

In conclusion, there is a great deal of talent in this country. Napoleon called us a nation of shop keepers. I don't think he was quite right, but on the whole we do work more effectively in small units. I think we are the kind of people who can more successfully exploit the kind of differentiated markets that we are now moving into, working in smaller and more effective groups. And we can do better at this than just handling scale, either with small businesses, or with big businesses breaking their operations down into smaller units, concentrating on a narrower front in more closely satisfying the customer's needs. The customer is the beginning and end of any movement to provide more jobs and greater prosperity.

../..

to unlock this energy and enterprise. Many of you are doing it, I know.

There is one development I would like to suggest that could be of enormous value to Britain, the significance of which we have not yet fully appreciated. This country was first in the Industrial Revolution, but when others followed, they were perhaps better at handling scale. And Scale, large sized operations, mattered, and still does matter in many industries.

But what we are seeing now are many new markets springing up for new products. Traditional markets are exploding into segments where people are willing to pay more for extra value, exclusiveness and better attention to their particular needs. Look at what is happening to traditional industries like clothing and shoes in this country. Again, in another field, many general magazines have disappeared. They have been replaced by hundreds of specialist publications. If you will forgive a piece

This I believe is the way ahead. If we can do this, the solutions to some of the problems which we have been discussing here for the last two days will fall into place. This Agenda for enterprise will then, gloriously, become an Agenda for success for the country as a whole.

Thank you.

OPENING ADDRESS BY
SIR JAMES CLEMINSON
AT THE CBI NATIONAL CONFERENCE
EASTBOURNE 1984

LADIES AND GENTLEMEN - IN NORMAL CIRCUMSTANCES I WOULD NOW BE STANDING HERE TO EXPRESS FORMALLY OUR JOINT THANKS TO THE PRIME MINISTER FOR HAVING COME TO EASTBOURNE ON THE EVE OF OUR CONFERENCE.

2. TRAGIC CIRCUMSTANCES HAVE PREVENTED THAT HAPPENING AND INSTEAD I AM SURE YOU WOULD WISH ME TO EXPRESS TO THE GOVERNMENT AND PEOPLE OF INDIA, AS I HAVE ALREADY DONE OFFICIALLY, OUR SYMPATHY AND GRIEF AT THIS TIME OF TRAGEDY.

3. FOR THOSE OF US WHO HAVE LIVED THROUGH TIMES OF WAR IT IS PARTICULARLY SHOCKING TO SEE THE SPREAD OF VIOLENCE IN A SO-CALLED TIME OF PEACE. IN THIS I REFER NOT ONLY TO INDIA AND THE EXTREMISM OF THE IRA, AS SO RECENTLY EXPOSED AT BRIGHTON, BUT ALSO TO THE ACCEPTANCE OF VIOLENCE AS A MEANS OF ESCALATING INDUSTRIAL DISPUTES. I AM SURE I SPEAK FOR EVERYONE WHEN I SAY - ALL VIOLENCE WE ROUNDLY CONDEMN.

4. IT WAS TYPICAL OF THE PRIME MINISTER THAT WHEN SHE HAD TO GO TO DELHI SHE WAS STILL PREPARED TO COME HERE ON SUNDAY NIGHT REGARDLESS OF HAVING SPENT THE TWO PREVIOUS NIGHTS IN AN AEROPLANE AND ATTENDED THE FUNERAL.

5. IT WAS ONLY WHEN POSTPONEMENTS IN THE TIME-TABLE MADE THIS LOOK IMPOSSIBLE THAT SHE VERY RELUCTANTLY LISTENED TO HER ADVISERS AND AGREED TO CANCEL HER ENGAGEMENT HERE.

6. WITH DEMOCRACY UNDER ATTACK THE PRIME MINISTER HAS STOOD FIRM AND FOLLOWED THE CAUSE OF "BUSINESS AS USUAL". WE SHALL FOLLOW HER LEAD AND CARRY ON IN OUR OWN WAY WITH BUSINESS AS USUAL THIS WEEK.

7. WE ARE FORTUNATE AT THIS TIME TO HAVE A GOVERNMENT WHICH RECOGNISES THE NEED FOR WEALTH CREATION. BUT THIS DOES NOT REDUCE OUR RESPONSIBILITY. WE NEED TO MAKE SURE THAT OUR VOICE IS HEARD IN A ROBUST AND SENSIBLE WAY, NOT ONLY WITH MINISTERS BUT THROUGHOUT THE HOUSES OF PARLIAMENT AND WITH ALL THOSE MANY PEOPLE WHO IN THIS GREAT DEMOCRATIC COUNTRY INFLUENCE POLICY. IT IS VITAL TO MAKE CLEAR TO ALL THAT WE ARE WORTHY OF THE RESPONSIBILITY PLACED ON US AS LEADERS OF INDUSTRY FOR CREATING THE WEALTH ON WHICH THE PUBLIC DEPENDS.

8. THROUGHOUT THE CONFERENCE LET US MAKE SURE THAT WE REFLECT CLEARLY OUR THEME WHICH PROCLAIMS SO EMPHATICALLY THE NEED TO DIRECT OUR ENERGIES AND TALENTS TOWARDS AN EVER MORE ENTERPRISING SOCIETY.

9. ULTIMATELY IN BUSINESS IT IS PEOPLE WHO MATTER. AN ENTERPRISING BRITAIN NEEDS ENTERPRISING PEOPLE. MY HOPE IS THAT OVER THE NEXT TWO DAYS OUR DISCUSSIONS WILL BE FOCUSSED ON HOW WE CAN BEST HARNESS THAT POTENTIAL, AS I BELIEVE WE CAN, TO PUT BRITAIN BACK ON THE GROWTH PATH AS ONE OF THE GREATEST MANUFACTURING AND TRADING NATIONS OF THE WORLD.

THE ECONOMY

10. LET US THEREFORE LOOK AT THE ECONOMY. IT WAS MY GOOD FORTUNE TO REPRESENT THE CBI AS CHAIRMAN OF THE ECONOMIC SITUATION COMMITTEE AND THIS RESPONSIBILITY HAS NOW BEEN VERY ABLY TAKEN ON BY DAVID WIGGLESWORTH, WHO HAS ONLY THIS LAST WEEK PUBLISHED THE MOST RECENT RESULTS OF OUR BUSINESS SURVEY. WHAT ARE THE IMPLICATIONS OF HIS REPORT?

11. IT IS GENERALLY REGARDED AS BEING ONE OF THE MOST ACCURATE OF THE ECONOMIC FORECASTS SO LET US PAY ATTENTION TO WHAT HE SAYS. NECESSARILY ONE MUST OVER-SIMPLIFY, BUT THE FACT OF THE MATTER IS THAT WE HAVE A SIGNIFICANT IMPROVEMENT IN THE ECONOMY, GREATER THAN THAT OF MOST OTHER MEMBERS OF THE EUROPEAN COMMUNITY. NOW WE ARE LOOKING FOR INCREASED OUTPUT; WE ARE LOOKING FOR INCREASED EXPORTS; LIQUIDITY IS AT RECORD LEVELS AND PRODUCTIVITY HAS INCREASED SUFFICIENTLY TO MAKE A MAJOR TURN-AROUND IN PROFITABILITY.

12. BASED ON CBI FORECASTS, PROFITS OF MANUFACTURING INDUSTRY HAVE REACHED AN 8 PER CENT RETURN IN REAL TERMS ON CAPITAL EMPLOYED COMPARED WITH ONLY 4 PER CENT TWO YEARS AGO AND WITH THE EXPECTATION OF A FURTHER INCREASE NEXT YEAR. SO FAR SO GOOD. THIS CONFERENCE THOROUGHLY APPLAUDS ALL THOSE WHO HAVE MADE THIS POSSIBLE. WE SALUTE THEIR EFFORTS.

13. WHEN EARLIER THIS YEAR I WAS LISTENING TO THE CHANCELLOR'S LAST BUDGET AT THE TELEVISION STUDIOS, I SAID THAT HE HAD PASSED THE MONKEY TO INDUSTRY'S SHOULDER. OUR SHOULDERS. BY THIS I MEANT THAT IF HE WERE TO BE ABLE TO ACHIEVE WHAT HE WANTED AND OBTAIN SUFFICIENT LEE-WAY TO ADJUST TAX RATES OR CAPITAL EXPENDITURE IN THE FUTURE, HE WAS TOTALLY DEPENDENT ON INDUSTRY AND ON OUR ABILITY TO CREATE SUFFICIENT WEALTH IN THE NEXT TWO YEARS. THAT IS STILL THE POSITION. WE ALL NATURALLY WANT TO SEE THIS HAPPEN. I AM DELIGHTED THAT THOSE COMMPANIES WHICH ARE ACHIEVING INCREASED PROFIT ARE TURNING TO NEW INVESTMENT. CBI IS FORECASTING AN INCREASE OF INVESTMENT OF AT LEAST 15 PER CENT THIS YEAR OVER LAST.

AND WHAT IS MORE IMPORTANT IS THAT WE ARE EXPECTING A FURTHER INCREASE IN INVESTMENT IN 1985!

14. BUT THERE IS A SMALL DARK CLOUD, NO LARGER THAN THE SIZE OF A MAN'S HAND, WHICH NEVERTHELESS HANGS LIKE A SHADOW OVER THESE LAST TWO INDUSTRIAL SURVEYS. IT IS A REDUCTION IN BUSINESS OPTIMISM. IT IS ONLY FAIR TO POINT OUT THAT THESE SURVEYS WERE CARRIED OUT UNDER THE THREAT OF A POSSIBLY WIDER DOCK STRIKE. AND WITH THE THREAT OF A SERIOUS WORSENING OFTHE MINERS' STRIKE. THEREFORE IT IS NO SURPRISE THAT SOME UNCERTAINTY, SOME LACK OF CONFIDENCE SHOULD EXIST. IN FACT WHAT'S SURPRISING IS THAT THE EFFECT HAS NOT BEEN MORE MARKED AND THE MINERS' STRIKE HAS NOT HAD A GREATER EFFECT ON BRITISH INDUSTRY AS A WHOLE.

FOR THAT REASON I TRUST THE MINERS' STRIKE WILL NOT DOMINATE THIS CONFERENCE AS IT HAS DONE OTHERS. NEVERTHELESS, REAL PROBLEMS DO EXIST AND IT IS RIGHT THAT WE SHOULD RECOGNISE THEM.

15. ALL OF THESE STATISTICS ARE ENCOURAGING BUT BEWARE, FOR, LIKE THE DRUNK WITH THE LAMP POST, STATISTICS CAN BE USED FOR EITHER ILLUMINATION OR SUPPORT.

16. THE REALITY IS THAT BY NEXT YEAR WE SHALL ONLY GET BACK TO THE LEVELS OF RETURN ON OUR INVESTMENTS OF THE SIXTIES AND EVEN THOSE ARE LOW BY INTERNATIONAL COMPARISON. WHAT, THEREFORE, WE MUST DO IS TO INITIATE ACTION WHICH RESULTS IN A PERFORMANCE BETTER THAN THE SIXTIES AND THE SEVENTIES.

17. IN THE EARLY SEVENTIES OUR SHARE OF THE WORLD TRADE WAS AROUND 10 PER CENT. BY LAST YEAR IT HAD FALLEN TO JUST UNDER 8 PER CENT. NOW, DESPITE THE FACT THAT WE ARE LOOKING FOR INCREASED EXPORT BUSINESS BY THE END OF THIS YEAR, OUR SHARE WILL HAVE FALLEN TO SOMEWHERE AROUND SEVEN AND A HALF PER CENT. WE ARE NOT SLIPPING TOWARDS THE RELEGATION ZONE, BUT WE ARE MILES AWAY FROM WINNING THE CHAMPIONSHIP. AND WHY IS THIS?

18. IN THE LAST DECADE WE HAVE INCREASED OUR WAGE BILL FOUR TIMES WHILE OUR COMPETITORS HAVE ONLY DOUBLED THEIRS. WE HAVE INCREASED OUR PRODUCTIVITY BY 25 PER CENT WHILE OUR COMPETITORS HAVE INCREASED THEIRS BY TWICE AS MUCH. THAT IS NO WAY FOR BRITISH INDUSTRY TO WIN CUSTOMERS AND INFLUENCE INVESTORS. THAT'S NO WAY TO HOLD ON TO THE JOBS WE'VE GOT, AND CREATE NEW ONES. THAT'S NOT ENTERPRISE, THAT'S INEFFICIENCY.

19. NOW I KNOW, AND YOU KNOW, THAT THERE HAS BEEN A SIGNIFICANT DIFFERENCE IN ATTITUDES THESE LAST FEW YEARS MAKING IT MORE POSSIBLE FOR MANAGERS TO GET ON WITH THE JOB OF MANAGING. BUT WE HAVE A LONG WAY TO CATCH UP. WE HAVE BEEN SHAKING OUT THE EXCESSIVE NUMBERS IN INDUSTRY IN THIS COUNTRY BUT DURING A PERIOD OF WORLD RECESSION, WHICH HAS CAUSED GREAT HARDSHIP. WE WERE VERY LATE IN DOING SO. IN OTHER COUNTRIES SUCH AS THE USA THIS TOOK PLACE A DECADE BEFORE IN A PERIOD OF GROWTH, NOT RECESSION. NO WONDER IT IS MUCH MORE DIFFICULT FOR US TO SHOW THAT LABOUR PROTECTIONISM IS A CAUSE OF JOBS BEING LOST AND NOT THEIR SAVIOUR. OUR TASK NOW IS TO ENSURE THAT THE NEW TECHNOLOGIES ARE PUT TO PROPER USE WITH PROPERLY TRAINED PEOPLE WORKING EFFICIENTLY. SO THAT WE CAN MORE AHEAD <u>FASTER</u> THAN OUR COMPETITORS. SO WE CAN <u>RECAPTURE</u> LOST MARKETS. SO WE CAN <u>REGAIN</u> OUR RIGHTFUL PLACE AT THE TOP OF THE WORLD'S TRADING TABLE.

(MINERS' STRIKE)

FELLOW DELEGATES, THE REST OF THE WORLD IS WATCHING US NOW. NOT BECAUSE THEY ARE FEARFUL OF OUR NEW FOUND AGGRESSION AND COMPETITIVENESS BUT BECAUSE THEY SEE THE MINERS' STRIKE AS AN IMPEDIMENT TO OUR DEVELOPMENT AND A HELP TO THEIRS. THEY SEE THE CHANCE THAT THE PROGRESS WE WERE MAKING, MIGHT SLIP FROM OUR GRASP.

20. SO WHILE I HAVE MADE IT QUITE CLEAR THAT THE MINERS' STRIKE SHOULD NOT AND WILL NOT DOMINATE THIS CONFERENCE, IT WOULD BE WHOLLY INAPPROPRIATE FOR ME NOT TO SAY SOMETHING ABOUT IT. NO GOVERNMENT, AND NO BUSINESS, IN A DEMOCRACY CAN SURRENDER TO THE TACTICS WE HAVE SEEN IN THE LAST SEVEN MONTHS.

21. I WOULD PREFER, HOWEVER, TO LOOK A LITTLE FURTHER AHEAD TO THE TIME WHEN ONE DAY THIS STRIKE JUST HAS TO BE RESOLVED. THE VAST MAJORITY OF THE PUBLIC NOW ACCEPT THE ABSOLUTE NECESSITY FOR BRITISH INDUSTRY TO BE MORE COMPETITIVE. YET I HAVE HEARD ARTHUR SCARGILL ON THE RADIO SAY THERE IS NO SUCH THING AS AN UNECONOMIC MINE - ONLY THAT GOVERNMENT HASN'T PUT SUFFICIENT MONEY INTO THE PITS.

22. THE FACTS ARE THESE. THE AVERAGE COST OF UK COAL IS £46/TONNE. BUT THIS CONCEALS THE WIDE RANGE OF DEEP-MINED PRODUCTION COSTS FROM UNDER £30/TONNE AT THE MOST ECONOMIC PITS UP TO £100/TONNE AT THE OTHER EXTREME. WHEN YOU CONSIDER THERE ARE LARGE QUANTITIES OF GOOD QUALITY COAL THAT COULD BE IMPORTED INTO THIS COUNTRY AT £35-40/TONNE C.I.F. IT IS SELF EVIDENT THAT THERE IS NO MARKET FOR THE HIGH COST PART OF UK COAL. IT IS BECAUSE THIS NATION HAS PERSISTED IN MAINTAINING THESE HIGHLY UNECONOMIC PITS THAT EVERY ONE OF US IS SUBSIDISING THE BRITISH COAL INDUSTRY. EVERY ONE OF US IS PAYING TOO MUCH FOR EVERY TONNE OF COAL WE BUY IN ADDITION TO THE GOVERNMENT SUBSIDY OF £875 MILLION EACH YEAR. THIS HAS TO BE REFLECTED IN THE COST OF ENERGY TO EVERY COMPANY IN THIS COUNTRY. IT IS ONE OF THE REASONS WHY OUR ENERGY INTENSIVE INDUSTRIES - STEEL, CHEMICALS, PAPER - HAVE BEEN NON-COMPETITIVE BY WORLD STANDARDS. IT'S ALL VERY WELL FOR MR SCARGILL TO SAY THAT WE HAVE THE CHEAPEST DEEP-

MINED COAL IN THE WORLD - YES SOME OF IT IS - FOR INSTANCE SELBY -BUT AN AWFUL LOT ISN'T. AND I PUT IT TO YOU THAT THIS CANNOT BE THE BEST WAY TO SEEK A RETURN ON OUR MONEY NOR TO PROTECT THE LONG TERM JOBS IN THE MINING COMMUNITIES. WE SHOULD BE CONCENTRATING ON THOSE LOW COST PITS WHILE SPENDING MORE MONEY CREATING NEW BUSINESS OPPORTUNITIES IN THE AREAS AFFECTED BY CLOSURES. JUST AS THE BRITISH STEEL CORPORATON HAS SUCCESSFULLY DEMONSTRATED AT CORBY.

23. SURELY DEVELOPMENT ALONG THESE LINES PRESENTS A CONSTRUCTIVE APPROACH WHICH OUGHT TO ATTRACT THE WIDE SUPPORT OF THE TRADES UNION MOVEMENT RATHER THAN UNDERSTANDLY, BUT NEVERTHELESS MISGUIDED SUPPORT THEY ARE CURRENTLY GIVING TO THE MINERS' CAUSE.

AND I WOULD SAY AGAIN THAT AS CBI WE STAND 100 PER CENT BEHIND THE POLICY OF THE NATIONAL COAL BOARD. SCARGILL IS PROUD OF THE FACT THAT HE HASN'T BUDGED ONE INCH. AS A RESULT HE IS NOT ONLY BEHIND THE POLICY OF PUTTING THE JOBS OF HIS OWN MEMBERS AT PERIL BY HIS ACTIONS - HE HAS PUT MORE JOBS IN THE ENERGY INTENSIVE INDUSTRIES AT RISK. PERHAPS MOST SERIOUS OF ALL, IF HE WERE ALLOWED TO SUCCEED, THE EXAMPLE HE WOULD HAVE SET TO EXTREMISTS IN OTHER SECTORS, WOULD BE PROFOUNDLY DAMAGING TO INDUSTRY AS A WHOLE. LET THE MESSAGE GO OUT FROM THIS CONFERENCE TODAY THAT WE TOO STAND FIRM.

UNEMPLOYMENT

24. NO ONE HERE HAS ANY ILLUSIONS ABOUT THE SERIOUSNESS OF THE PROBLEMS OF UNEMPLOYMENT. WE WERE NOT FACILE ENOUGH TO BELIEVE THAT WITH THE UPTURN IN PRODUCTIVITY THERE WOULD BE AN IMMEDIATE OR SUBSTANTIAL IMPROVEMENT IN THE NUMBERS COMING INTO MANUFACTURING EMPLOYMENT.

25. WHAT WE DO NEED TO RECOGNISE IS THAT WE HAVE SOMEWHERE AROUND THREE AND A QUARTER MILLION UNEMPLOYED. HAVE YOU ANY IDEA WHAT THAT REPRESENTS? IT IS EQUIVALENT, IF YOU CAN IMAGINE IT, TO 32 WEMBLEY STADIUMS FULL TO OVERFLOWING ON CUP FINAL DAY. THAT IS THE SIZE OF THE PROBLEM GOVERNMENT, BUSINESS AND TRADE UNIONS WORKING TOGETHER HAVE TO FACE, AND WE MUST DO SOMETHING POSITIVE ABOUT IT.

26. THE GALLUP SURVEY RELEASED HERE YESTERDAY DEMONSTRATED THE BELIEF THAT PARTICULARLY IN THE SMALL AND MEDIUM SIZED FIRMS THERE IS AN EXPECTATION OF INCREASED EMPLOYMENT IN THE NEXT YEAR.

27. IT IS MOST HEARTENING NEWS THAT WE CAN ALSO LOOK FOR THIS AS WELL AS TO ADDITIONAL EMPLOYMENT IN THE SERVICE SECTOR.

28. HOWEVER THE BEST WAY FOR BRITISH INDUSTRY TO SOLVE THIS PROBLEM IS TO BECOME MORE COMPETITIVE, TO GO FOR ENTERPRISE AND TO LEARN TO ADAPT THE NEW TECHNOLOGIES TO OUR MAXIMUM ABILITY. AND QUICKLY.

29. TO MAKE THE MOST OF IT WE HAVE TO TACKLE OUR PROBLEMS IN EUROPE. TODAY THE EEC IS NOT A TRUE ECONOMIC COMMUNITY. THERE ARE STEPS THAT CAN BE TAKEN, WHICH WE SHALL DEBATE, TO MAKE IT BECOME ONE GREAT TRADING CENTRE. THE UK NOW SENDS SOME 60 PER CENT OF ITS TOTAL EXPORTS INTO WESTERN EUROPE. BUT THERE IS STILL A CRYING NEED TO OVERCOME ITS MANY BARRIERS TO COMPETITION SO THAT BUSINESS AND COMMERCE CAN FREELY COMPETE.

30. WHEN PRESIDENT MITTERRAND WAS HERE TEN DAYS AGO HE EXPRESSED HIS BELIEF IN THE IMPORTANCE OF CO-OPERATION AND OF DEVELOPMENT OF THE ECU AS A MODERN CURRENCY. ANYONE LISTENING TO HIM MUST HAVE BEEN IMPRESSED WITH THE SINCERITY OF WHAT HE WAS SAYING. BUT IF ONE WERE A PESSIMIST ONE WOULD QUESTION THE LIKELIHOOD OF THE GOVERNMENTS OF THE EEC, OR FRANCE ITSELF, TO CARRY OUT THE POLICIES HE WAS ADVOCATING.

31. BUT IT IS NO USE BEING A PESSIMIST. THERE IS A VAST POTENTIAL MARKET HINDERED BY STUFFY BUREAUCRATIC BARRIERS TO TRADE. THE LORRY DRIVER WANTING TO GO FROM BRADFORD TO BRINDISI NEEDS 27 FORMS TO GET ACROSS THE BARRIERS; HE DOESN'T JUST NEED HIS SHAVING AND HIS SHOWER KIT, HE NEEDS HIS C273, HIS C128, HIS E111, ALONG WITH MANY MORE. IT'S NOT A CASE OF THE SPY IN THE CAB, IT'S A QUESTION OF THE BUREAUCRAT IN THE BACK SEAT.

32. WE HAVE ALREADY DEMONSTRATED HOW OUR EXPORTERS NEED A PROPER ROAD NETWORK TO GET THEIR GOODS TO THE PORT WITHOUT COSTLY DELAYS AS WE SHALL BE DISCUSSING HERE TODAY. BUT WE DO NEED TO ENSURE THAT THE EEC AS A WHOLE SEES ITSELF AS A TRADING COMMUNITY AND NOT AS SOME SOFT-BELLIED DO-GOODER SURROUNDED BY A WALL OF BARRIERS TO TRADE.

TRAINING AND
EDUCATION

33. AND TALKING OF MAKING PROGRESS IN EUROPE, INCREASING OUR SHARE OF WORLD TRADE AND INCREASING COMPANIES' WEALTH, IS ALL VERY WELL. BUT WE MUST ALSO RECOGNISE THE NEED FOR PEOPLE PARTICULARLY THE YOUNG TO FEEL A PART OF IT. NOT TO FEEL SO DISADVANTAGED THAT THEY GO INTO THE NEXT FIFTY YEARS WITH THE SAME SENSE OF FRUSTRATION AND DESPAIR THAT OCCURRED TO THOSE WHO LIVED THROUGH THE 1930s.

34. LET US RATHER TURN THIS PROBLEM, THIS VERY REAL PROBLEM OF YOUTH UNEMPLOYMENT, INTO AN OPPORTUNITY .

35. THE CBI, HAS ALREADY DEMONSTRATED WHAT CAN BE ACHIEVED THROUGH THE YOUTH TRAINING SCHEME WHERE INDUSTRY AND COMMERCE HAVE PROVIDED TRAINING POSSIBILITIES FOR SOME 250,000 YOUNG PEOPLE. ITS WORTH IS AMPLY DEMONSTRATED BY THE FACT THAT ALREADY SIX OUT OF TEN ARE ENDING UP IN PERMANENT JOBS. AND IT WILL BE MORE. I BELIEVE THAT ONE OF THE MOST ENCOURAGING ASPECTS OF THE CBI ROLE IS THAT IT HAS TAKEN SO VIGOROUS A LEAD. IT HAS ALSO TAKEN A LEAD IN MAKING SURE THAT TEACHERS UNDERSTAND THE IMPORTANCE OF INDUSTRY AND OF WEALTH CREATION THROUGH OUR SCHEME, UNDERSTANDING BRITISH INDUSTRY. PLEASE GIVE IT ALL THE SUPPORT YOU CAN.

36. THE SAME GALLUP SURVEY SHOWS THAT 57 PER CENT OF RESPONDENTS ARE RIGHT NOW HAVING DIFFICULTY IN FINDING SKILLED EMPLOYEES. SO THERE IS CLEARLY AN INCREASING NEED FOR YOUNG PEOPLE TO COME INTO INDUSTRY EQUIPPED TO ADAPT TO THE SKILLS OF MODERN TECHNOLOGY. I BELIEVE THE YOUTH TRAINING SCHEME AS IT STANDS AT THE MOMENT IS STILL SEEN AS "ONE-OFF". IT NOW NEEDS TO DEVELOP INTO A PART OF

THE NORMAL PROCESS OF YOUTH TRAINING, WITH A RE-DEFINITION OF WHAT IS MEANT BY APPRENTICESHIP AND ACCEPTANCE OF THAT BY THE TRADES UNIONS. I PLEDGE THAT IF THE UNIONS WILL MOVE ON THIS, WE WILL RESPOND. WE MUST FIND A MEANS WHEREBY IT IS OPEN TO EVERYBODY NOT JUST TO RECEIVE FORMAL EDUCATION UP TO THE AGE OF 18, BUT ALSO TO FIND SCOPE FOR SKILLS TRAINING AND TECHNICAL EDUCATION TO THAT AGE. THIS MAY BE THE ONLY WAY IN WHICH YOUNG PEOPLE CAN FIT INTO WHAT WILL BE THE WORK FORCE OF THE FUTURE. IT WILL REQUIRE THE CLOSEST CO-OPERATION BETWEEN INDUSTRY, GOVERNMENT, TRADES UNIONS AND ESPECIALLY EDUCATIONALISTS. BUT INDUSTRY HAS TO GIVE A LEAD. IT WILL INVOLVE EXPENSE FOR ALL THE PARTIES CONCERNED. BUT HOW MUCH BETTER THAT WE SHOULD RECOGNISE THAT THAT IS SO, RATHER THAN CREATE AN UNEMPLOYED GENERATION - THE VERY PEOPLE ON WHOM OUR FUTURE DEPENDS.

SUMMING UP

37. LADIES AND GENTLEMEN, WE HAVE A LONG PROGRAMME AHEAD OF US. BUT I WOULD SUBMIT TO YOU THAT EVERYTHING WITHIN IT HAS A BEARING ON WHAT I HAVE SAID. I KNOW I AM FORTUNATE TO BE CHAIRMAN OF A SUCCESSFUL COMPANY BUT I BELIEVE, DESPITE THE PROBLEMS THAT MANY OF OUR MEMBERS STILL HAVE TO RESOLVE, BRITISH BUSINESS CAN LOOK TO A BRIGHTER FUTURE. LET US THEREFORE BE RESOLUTE IN WITHSTANDING THOSE FORCES WHICH SEEK TO BLOW US OFF-COURSE. LET US BE CONFIDENT, BUT BY NO MEANS COMPLACENT, ABOUT THE TASKS THAT LIE AHEAD. BUT ABOVE ALL, LET US BE ENTERPRISING IN MAKING THE BEST USE OF OUR UNDOUBTED OPPORTUNITIES.

THANK YOU VERY MUCH.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

CBI

5th November 1984

Dear Prime Minister,

I would like to thank you very much indeed for the letter which you sent to me before you left for India. I was able to read it out to the members and their guests at the Mayor's reception last night. It was enormously appreciated that you had tried to be here despite everything else that you were having to do. Everybody realised that it would put far too great a strain on you to have done other than you did.

The Conference proper starts this morning. We missed you but I am sure, despite what would have been a wonderful start, we shall have a very useful debate. I will let you know about it on my return to London.

Yours ever

James.

The Rt. Hon. Margaret Thatcher, MP
Prime Minister,
10 Downing Street,
London, SW 1.

CBI. mtng
24/11

10 DOWNING STREET

THE PRIME MINISTER

2 November 1984

Dear Pete,

Caroline tried to telephone you this morning to say how particularly sorry I am that my attendance at the funeral of Mrs Gandhi had led to the cancellation of the CBI's question and answer session on Sunday evening. I was greatly looking forward to it, not least for the pleasure of "appearing" with you.

The CBI have told me that they will be getting in touch with you in the hope that we can arrange another event of this sort at some time in the future. I hope we can, and I am very sorry that, after you had kindly agreed to help with this occasion, your own plans have been disrupted.

My best regards to Tricia.

Yours ever,

Margaret

Pete Murray, Esq.

file

VC

10 DOWNING STREET

THE PRIME MINISTER

2 November 1984

Dear James,

I am particularly sorry that I cannot be with you on the first evening of the CBI Conference. You are aware of the tragic events which have made it necessary for me to change my plans. I had greatly looked forward to the opportunity of a discussion with your members at the question and answer session which you had arranged for me.

There are plenty of important economic and industrial issues before this year's Conference. I am particularly pleased that you are tackling the opportunities of Europe; the relationship between competitiveness, good industrial relations and jobs; the creation of a more enterprising society; and the contribution which the taxation system can make to this objective. I also warmly welcome your discussion document "Share in the Action" which you are to debate on Monday afternoon and which addresses the vital question of wider ownership and participation in Britain's industry.

These are all topical and important subjects and I would have thoroughly enjoyed discussing them as well as other points which your members would no doubt have wanted to raise. I have no doubt that your debates will be constructive and interesting and I shall follow closely reports of what is said in them.

Yours

Please will you pass on my best wishes to all your members for a very successful and stimulating Conference, together with my sincere regrets that I cannot be with you on Sunday evening.

Yours ever

Raymond

Sir James Cleminson, MC, DL.

file 881

10 DOWNING STREET

From the Private Secretary

1 November 1984

I thought I should let you know that the Prime Minister has had to cancel her visit to Eastbourne on Sunday evening for the CBI Conference. As you know Mrs Thatcher will be attending Mrs Gandhi's funeral in Delhi on Saturday and we do not yet know what time she will be returning to this country on Sunday.

Caroline Ryder

Patrick Stewart-Blacker, Esq.

Cite

10 DOWNING STREET

From the Private Secretary

1 November 1984

I thought I should let you know that the Prime Minister will not now be coming to Eastbourne for the CBI Conference on Sunday evening. As you know she is going to Delhi for Mrs Gandhi's funeral and we do not yet know what time she will be returning. As you know there was no certainty that she would be able to look at your stand but she had hoped to do so.

Caroline Ryder

Malcolm Matson, Esq.

CF
CBI Conference
4/11/84

file

BOE

10 DOWNING STREET

1 November 1984

THE PRIME MINISTER

Dear Sir Terence.

I was particularly touched that you should have written such a nice and understanding letter about the message that Robin Butler conveyed to you this morning. I took this decision only with great reluctance because I had been greatly looking forward to Sunday evening. A question and answer session is certainly much less hard work than a speech, and it might have been more stimulating for all concerned!

I have sent a message to James and I hope that the Conference goes very well. I should be delighted to see you afterwards and hear a first hand account of it.

Yours sincerely

Margaret Thatcher

Sir Terence Beckett, C.B.E.

BOE.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir Terence Beckett CBE
Director-General

CBI

1st. Nov. 1984.

Dear Prime Minister,

Robin Butler has just phoned me to say you cannot come to Eastbourne on Sunday.

I wanted you to know that I am absolutely sure this is the right decision. You cannot know what dangers you will run into at Delhi, but apart from that, the travel and tiredness that you have to go through at the other end, on top of all your other troubles,

mean you shouldn't have to worry about us in any way.

I greatly appreciated Robin's call and the care you had taken about it all. Everyone will understand.

Perhaps after Delhi and the opening of Parliament we can give you a short account of how the Conference went. We have high hopes for it.

Yours sincerely,

Terry.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street.

Sir Terence Beckett answers questions put to him by CBI News on the topics likely to be discussed at the National Conference.

This year's important Conference issues

Conference resolutions promise to be somewhat sharper this year than last and cover a wide range of topics. What are the issues you think members will judge most important?

Sir Terence: One is certain to be the role of the manufacturing industry. Once North Sea oil has peaked and started to decline, our manufacturing base will be of increasing importance, and we must ease the way for greater output and sales.

We want better roads, as outlined in the 'Fabric of the Nation'. I should also like to hear delegates underline our concern over the non-tariff barriers that delay goods going from one member state to another in the EC. It is ridiculous that a driver going from France to Italy has to handle 27 documents. How can we talk of a Common Market when we have barriers to trade of this sort?

Another matter I expect will be raised is the worrying fact that for the first time for more than a century we now import, pound for pound, more goods than we export. What better evidence of our lack of competitiveness could there be? It's a message the CBI has been hammering away at for the past three years. Without the CBI I doubt even now if its significance would be widely appreciated.

What about unemployment, with some people talking about 'a generation of unemployed' in the UK?

The general fear about unemployment is not helped by OECD forecasts that it will rise still more in Europe. There is a general belief that because in the manufacturing industry everything is becoming automated—micro-chips with everything connected with the production line—there will no longer be a need for people on the shop floor. This has always been the fear with technological advance. Yet the reverse is true in the long run. A few years ago a great deal of our printing went overseas, but new electronic methods of type setting have made printing in this country more competitive and for a change many printers are reporting increased business. I don't doubt delegates will be able to cite other examples.

We must also remember that in contrast to Europe, the US has been able to create 18 million new jobs over the past 10 years. Already the service industries here have started to employ more. I hope that the Conference will come up with fresh views on this very concerning subject.

What tax reforms are delegates likely to ask for?

We've had a tax revolution since the March Budget and this month has seen the end at last of the Jobs Tax – National Insurance Surcharge. More than any other organisation, the CBI was responsible for this victory. The whole economic situation will obviously come in for an airing at Eastbourne. Members welcome the reduction in corporation tax but some are less happy about the reductions in capital allowances. I think we shall be discussing alternative taxation methods on income and capital expenditure. I also have a feeling that dissatisfaction over VAT will raise its head.

The discussions could also bring in local rates. The regions are now getting to grips with the intricacies of local authority budgets with councils on the rates burden on business. And there are fresh aspects – the cost of policing the miners' strike, for example. The bulk of this is falling on central government, but obviously local authorities are having to meet some of the costs.

You mentioned the 'Fabric of the Nation'. Do you think this will create much discussion?

I think members regard the country's infrastructure as very important, and I know that many of them are worried that the government has not done more in this area.

Of course, they appreciate that no sensible Chancellor of the Exchequer is going to risk inflation by spending what he hasn't got but in the 'Fabric of the Nation' and the McAlpine Report, we believe we gave Nigel Lawson a blueprint for more capital spending. Improvement on our roads is essential if we are going to export more. It's plainly not on to have motorways stopping short of the ports.

We also must do something about our crumbling sewage systems and, as the water drought has shown, our water supplies. This work does not involve importing materials, yet is does create jobs. I think the Conference will speak out quite loudly on this subject.

● *Turn to page 9*

MR TURNBULL

As far as I can discover you have not commissioned any briefing for the PM's appearance at the CBI's conference on Sunday evening. You may like to consider showing her this extract from the CBI News which at least gives a fairly good idea of the kind of questions Sir Terence Beckett would like to see raised at Question Time!

It occurs to me that, given the kind of questions likely to arise, the PM might want to emphasise the importance the Government attaches to the supply side, competition policy & reducing administrative & legislative burdens. (The CBI have recently re-allocated responsibilities within their Economic Directorate so that one Deputy Director covers all supply side matters).

David Mellor
29/9.

FROM PAGE 6

This year's important Conference issues

With the need to get more people employed and industry more competitive, presumably training and education have a part to play?

Of course, in two directions. There is training and retraining for more technical jobs. There is also the task of getting over to the public the importance of industry and commerce. This really starts with the schools and here the CBI's 'Understanding British Industry' is playing a valuable role. But the public is woefully ignorant of the economic needs. People talk about a shorter working week and longer holidays when we are still striving to catch up with the rest of the world.

I believe that the progress made with Youth Training Schemes to help youngsters find jobs and ways of training budding entrepreneurs will surface during the discussions. Re-awakening the spirit of enterprise is vital for our future well-being but people have got to be shown the way.

How do you think this conference might differ from previous ones?

One very visible innovation is the presence of Mrs Thatcher on the Sunday evening. We are all very delighted that she has accepted our invitation to answer delegates' questions and I think it will be a very interesting and worthwhile occasion. I hope a great many delegates will take advantage of this rare opportunity to question the Prime Minister.

INTERNATIONAL

Trade prospects in East Europe

In 1983 the East European countries provided Western companies with more than $80,000 million worth of business. The economic recovery in that area suggests even better prospects. East European planners are now considering their 1986/90 plans. The Financial Times publication East European Markets provides latest data and information is also available from CBI East European Department (ext 484).

HUNGARY: The technical journal Muanyag es Gumi (Plastics and Rubber) is producing a special issue in connection with the Hungaroplast 85 exhibition of plastics and rubber next April. Details from East European Department (ext 484).

MOZAMBIQUE: A new law has been introduced which provides guarantees and incentives for foreign investment. Details from Gary Campkin, CBI Africa Department (ext 260).

MUNICH: Lord Jellicoe, chairman, BOTB, will visit Electronica Fair here on 15 November during his visit to Germany.

CHESTER LE STREET: Seminar on South East Asia trade is being held at Lumley Castle Hotel, on 29 November organised by SEATAG.

POLAND: Details of the first specialised international agricultural exhibition 'Polagra 85' in Warsaw in 1985 are available from the CBI East European Department (ext 484.)

CHINA: The Sino-British Trade Council, fully supported by the Department of Energy, is organising high level offshore oil seminars for December in Beijing, Shanghai and Guangzhou. Several UK companies will be presenting papers on the full range of offshore capabilities, to be backed by an exhibition. Details from CBI China Department (ext 484).

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir Terence Beckett CBE
Director-General

CBI

cc Mr Ingham
Detectives

Mr Butler

By hand

31st October, 1984

Dear Mr. Barclay,

As promised I am writing to confirm the arrangements for the Prime Minister's visit to the CBI National Conference at Eastbourne on Sunday, 4th November.

We look forward to the Prime Minister's arrival at the Congress Theatre at 1845 hours. I believe the Police have arranged that the cars should go to the Congress Restaurant entrance which is on a slip road, off Carlisle Road.

The Prime Minister, Mr. Thatcher, Mr. Butler and Mr. Ingham will then be escorted to the Congress Theatre Board Room by Denis Jackson. Delegates and wives will at this stage be asked to go into the auditorium. The party in the boardroom is shown at 'A'.

At 1900 the Prime Minister will be escorted by the President and Mr. Murray to No. 1 dressing room. At 1910 Mr. Murray will go onto the stage followed shortly after by the President and the Prime Minister. The President will welcome the Prime Minister to the Conference.

The "Industry and Politics" Session will begin at 1915 and end at 2015, when the President will return to the stage to thank the Prime Minister. A bouquet of flowers will then be presented to the Prime Minister.

The President will escort the Prime Minister back to the Board Room. The audience will have been asked to remain in their seats until the Prime Minister, Mr. Thatcher, the President and Lady Cleminson, the Director-General and Lady Beckett, The Mayor and Mayoress of Eastbourne, Mr. Butler and Mr. Ingham have left the theatre. Mr. Thatcher, Mr. Butler and Mr. Ingham will join the Prime Minister in the Board Room. They will then be escorted to their cars by Martin Batt, Conference Manager, and be driven to the Grand Hotel for dinner, where they will be joined by the other guests - shown at 'B'.

.../2

On arrival at the Grand Hotel, the Prime Minister will be escorted (by me) to the room which will available for her use before and after the dinner.

It is hoped that everyone will have arrived at the Princes Room, Grand Hotel, for dinner by 2030 hours. It is planned that the dinner will end at 2200 hours.

I attach a seating plan for the dinner ('C').

I confirm that I will make arrangements for the Downing Street Police, Drivers and Secretary (if there is one) to have dinner at the Grand Hotel.

Yours sincerely,

Linda Asher.

(Personal Assistant to the Director-General)

David Barclay Esq.,
10 Downing Street, London, S.W. 1.

Encs.

Attachment A

C.B.I. NATIONAL CONFERENCE - EASTBOURNE

4th-6th November,1984

Those waiting the arrival of the Prime Minister in the Boardroom will be:-

The Mayor and Mayoress of Eastbourne

Sir James and Lady Cleminson

Sir Terence and Lady Beckett

Mr. and Mrs. Peter Murray

Mr. and Mrs. Geoffrey Pattie

Mr. and Mrs. Ian Gow

*Councillor and Mrs. Ronald Brown (Heather)

Mr. Keith McDowall

§Mr. Geoffrey Kelly

*Chairman of East Sussex County Council

§Chief Information Officer, C.B.I.

Attachment B

C.B.I. NATIONAL CONFERENCE - EASTBOURNE

Dinner - Sunday, 4th November, 1984

The Rt. Hon. Margaret Thatcher, M.P. and Mr. Denis Thatcher
Prime Minister

The Worshipful the Mayor and Mayoress of Eastbourne, Councillor Leslie Mason and Mrs. Doreen Mason

Sir James Cleminson, M.C., D.L. and Lady Cleminson (Judy)
President C.B.I.
Chairman Reckitt & Colman p.l.c.

Sir Terence Beckett, C.B.E. and Lady Beckett (Sylvia)
Director-General C.B.I.

Mr. Peter Murray and Mrs. Murray (Tricia)
"Industry and Politics" Session Master

Mr. Geoffrey Pattie, M.P. and Mrs. Pattie (Tuema)
Minister of State for Industry and Information Technology

Mr. Ian Gow T.D., M.P. and Mrs. Gow (Jane)
Minister for Housing and Construction, Department of the Environment
Member of Parliament for Eastbourne

Sir Alex Jarratt C.B. and Lady Jarratt (Phil)
Chairman and Chief Executive Reed International p.l.c.
Chairman C.B.I. Employment Policy Committee

Mr. Ronny Utiger, C.B.E. and Mrs. Utiger (Barbara)
Chairman TI Group p.l.c.

Sir Austin Bide, B.Sc., F.R.S.C., C.B.I.M.
Chairman Glaxo Holdings Limited
Chairman C.B.I. Research and Technology Committee

Lord Pennock (Ray) and Lady Pennock (Lorna)
Chairman B.I.C.C. p.l.c.
President UNICE

Sir Adrian Cadbury
Chairman Cadbury Schweppes p.l.c.

Mr. Alan Stote and Mrs. Stote (Susan)
Group Chief Executive BTS Group Limited
Chairman C.B.I. Smaller Firms Council

Sir Austin Pearce, C.B.E. and Lady Pearce (Patricia)
Chairman British Aerospace

Sir John Hedley Greenborough, K.B.E., L.L.D. and Lady Greenborough (Gerta)
Chairman Newarthill Limited
Chairman C.B.I. Finance and General Purposes Committee

The Rt. Hon. Lord Carr of Hadley, P.C., (Robert) and Lady Carr (Joan)
Chairman The Prudential Assurance Company Limited
Chairman Business in the Community

Mr. Ken Durham
Chairman Unilever p.l.c.
Chairman C.B.I. Economic and Financial Policy Committee

Mr. John Raisman, C.B.E.
Chairman and Chief Executive Shell U.K. Limited
Chairman C.B.I. Europe Committee

Sir Campbell Fraser and Lady Fraser (Myar)
President Dunlop Holdings p.l.c.
Chairman Scottish Television p.l.c.

The Rt. Hon. Viscount Caldecote, D.S.C., M.A., F.Eng. (Robin)
Chairman Investors in Industry Group p.l.c.

Dr. Peter Main
Chairman The Boots Company p.l.c.
Member National Economic Development Council

Dr. James McFarlane
Director General Engineering Employers Federation
Member National Economic Development Council

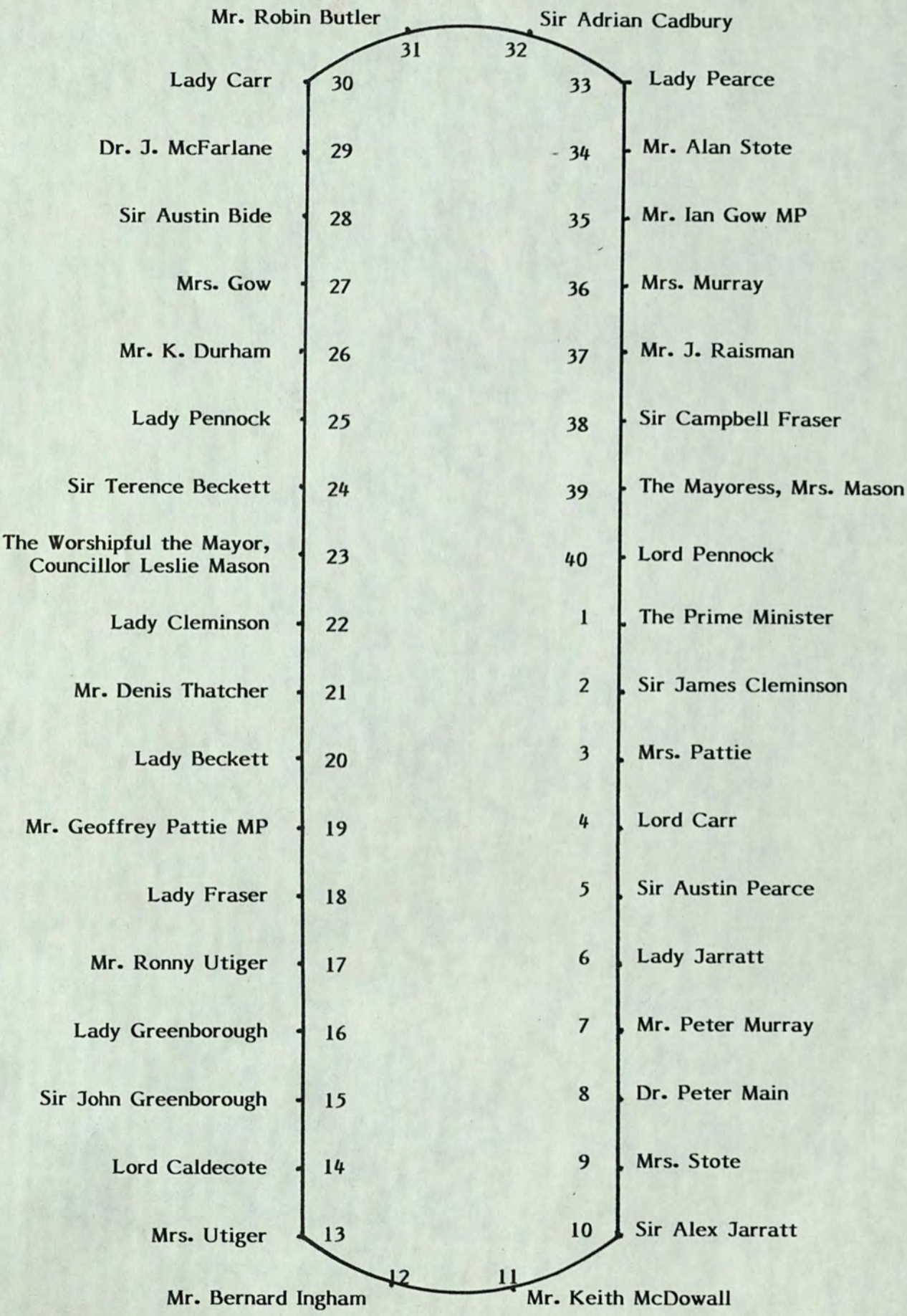
Mr. Robin Butler
Private Secretary to the Prime Minister

Mr. Bernard Ingham
Chief Press Secretary to the Prime Minister

Mr. Keith McDowall
Director of Inforamtion C.B.I.

Attachment C

SEATING PLAN



BM

PRIME MINISTER

Visit to Eastbourne for the
CBI Conference, Sunday 4 November

I hear that you would like to go from Chequers to Eastbourne on Sunday. I have booked you a wash and set with Paul at 1430 in the flat. Shall I cancel this?

CR

30 October 1984

CONFIDENTIAL

file

BM

10 DOWNING STREET

From the Private Secretary

30 October 1984

I promised to let you have the Prime Minister's programme for Sunday. It is as follows:-

1845	Arrive Congress Theatre
	Drinks with the President
1915-2015	Question and Answer Session at the CBI Conference followed by dinner
c2200	Depart Eastbourne for London

(Caroline Ryder)

Ian Gow, Esq., M.P.

CONFIDENTIAL

Mr. Barclay

Pl. convey to CBI making his point →

Done 30/10

FERB

E.R.

Prime Minister

I think that we must take this advice from the police — and it is the Sussex police — seriously.

I suggest that you ask Sir Terry Beckett to let it be known in Eastbourne not later than Saturday that, owing to the pressure of other engagements, you cannot arrive until 6.45 and therefore will not be able to attend the Reception. (It is important to let it be known in order to protect other guests).

PERS
29.10

1. Mr Butler
2. Prime Minister

CBI CONFERENCE

On present plans you are due to attend the reception before the CBI Conference at Eastbourne on Sunday. The CBI know this informally but no announcement has been made and your presence is not mentioned on the invitations.

A problem has arisen over security. The reception is to be held in the two interconnecting rooms which also house the Conference exhibition. This is being set up only the night before, by a variety of contractors, and both the local police and your own detectives are concerned about securing the premises. Because of this, they feel bound to advise you against attending the reception.

I have established that Sir Terence Beckett would entirely understand if in the light of this advice you had to pull out of the reception. He suggests that in the circumstances you might like to arrive in Eastbourne a little later - say at 6.45 pm.

Agree to accept the police advice?

Yes MT.

DMB

29 October 1984

NBPM
AT 25/10

MR TURNBULL 25 October 1984

SHARED OWNERSHIP

The book entitled 'Shared Ownership' by Copeman, Moore and Arrowsmith is to be published on 2 November. The Prime Minister takes a question and answer session at the CBI conference on Sunday 4 November and this could be germaine.

The book propounds shared ownership as the new theory of enterprise through which individual initiative is increased and the Government role reduced, with a consequent dispersal of power. The fruits of success both income and capital should accrue to the workers and this will be the panacea for all industrial relation problems.

Shared ownership is the combined ownership of business by both the workers and the providers of capital; it is not about workers' cooperatives. The idea is that when businesses are successful, the balance of ownership should move towards the workers; whilst when businesses are in decline the financiers have to increase their stake and therefore the workers' share reduces.

Because workers would have a share in the business and an increasing share when it is successful, this would lead to greatly increased loyalty and a better understanding of the value of profits and dividends. To reinforce this, companies must have the industrial relations 'software' to go with it. This means regular consultations with the workforce and in particular the provision of figures showing how the company is doing.

They envisage shared ownership coming about through profit sharing schemes, save as you earn schemes, discretionary options and loans to buy the companies shares. Share schemes could also begin to form part of pension plans.

E.R.

Incentive schemes should have a profits threshhold before any shares are earned and that this threshhold should have some form of self-adjusting mechanism.

They argue that Governments do and should provide tax relief for capital growth to encourage and reward enterprise, and that equity demands that these rewards should also be shared with participating employees. The 1984 Finance Act is considered helpful in this regard. They also argue that the ' inverted market sector' (ie schools, hospitals, etc), should offer share schemes as they must also strive to make profits. Government employees apparently do not need a share scheme as they have security of employment instead.

They parallel the projected rise in shared ownership with the historic trend in home ownership. They see shared ownership as a mechanism that will allow the economy to grow without draining off all of the surplus in increased wages. This mechanism would lead to fuller employment and provide a new image for capitalism.

We obviously support both share ownership and shared ownership. The book adds little in terms of practical suggestions of how to pursue the future, and in particular fails to tackle the problem of persuading employees that share options are worthwhile or of how we introduce share schemes into subsidiaries of large groups which must form the bulk of British industry.

Peter Warry

PETER WARRY

File

10 DOWNING STREET

From the Principal Private Secretary

25 October, 1984.

CBI Conference: Prime Minister's Questions and Answers Session on Sunday, 4 November

I am writing to confirm our telephone conversation of today.

David Barclay wrote to you to give warning that we would be asking for briefing, and I have now given a little more thought to the form which this briefing might take.

As David Barclay said, we do not need general briefing on the facts of the economic situation, which the Prime Minister will have available to her from her weekly briefing for Parliamentary Questions. I suggest that the briefing should cover three areas:-

(i) A background note on the CBI Conference and its themes this year:

(ii) Any information which is available about the specific questions which are likely to be raised with the Prime Minister, and the line which the Prime Minister is advised to take on these. (It may be that the CBI will have had a series of questions submitted to them in advance, and will themselves be making a selection: perhaps you could liaise with the CBI about this.)

(iii) A note of a few main themes which it would be advantageous to the Government for the Prime Minister to use this opportunity for getting over to businessmen. I should be grateful if this last section could be prepared in consultation with the Treasury.

BF

Could we please have the briefing by Wednesday evening, 31 October?

I am sending copies of this letter to David Peretz (HM Treasury), and David Normington (Department of Employment).

Andrew Lansley, Esq.,
Department of Trade and Industry.

FILE

Ry

10 DOWNING STREET

From the Private Secretary

25 October, 1984

The Prime Minister has asked me to thank you for your letter of 24 October and she was pleased to hear that you will be exhibiting at the CBI Conference Exhibition in November.

Mrs. Thatcher has a very tight schedule for her visit to Eastbourne but if there is any possibility of her looking in at your stand she will do so. But I am afraid I cannot give any firm commitment.

I am sorry to send you this rather unsatisfactory reply but I am sure you will understand.

With best wishes.

(Caroline Ryder)

M.J. Matson, Esq.

please p.a. DMB 1/11

Derek Edgar

I have spoken to Sir Terence Beckett's office. They promise to make sure that the PM does not have to enter (and is not invited into) the two exhibition halls.

DMB 26/10

David Barclay

Thank you. I agree.

MR. BUTLER

CBI Conference

25.10

Derek Edgar has raised a couple of points about the arrangements for the Prime Minister's attendance at the CBI Conference which illustrate the sort of problems we may encounter from now on.

You will recall that the Prime Minister has agreed to attend a reception (which is for about 1,200 people) before the question and answer session starts. The local police (East Sussex) are unhappy about the Prime Minister entering two of the four reception rooms, since these house an exhibition which will have only been set up the night before, under conditions which are difficult to control stringently.

The second point concerns the hotel, which Derek Edgar says is uncannily similar to the Grand Hotel at Brighton. At the request of the police, the CBI have agreed to move the Prime Minister's accommodation into the same wing of the hotel as the dining room where she will be after the session. This wing will be subject to exhaustive security precautions, but the rest of the hotel will not, and they would much prefer the Prime Minister not to venture into it.

The local police have told our detectives that they would like these points brought specifically to the Prime Minister's attention. This seems to me rather heavy handed, and if you agree I think it might be more sensible for me to have a quiet word with the CBI organisers to see if they can rearrange the reception slightly to avoid the need for the Prime Minister to enter the exhibition halls. If they could, then I think we could bring the second point to the Prime Minister's attention more informally nearer the time.

David Barclay,
Seen thanks you.
Copy taken
DE 31/10/84.

DMB

24 October 1984

24 UPPER BROOK STREET
LONDON W1Y 1PD
TEL: 01-409 2339

DB

R25

24th October 1984

The Rt. Hon. Mrs. Margaret Thatcher, MP
10 Downing Street,
London SW1

Dear Prime Minister,

I am one of the many entrepreneurs playing a part in the implementation of Government policy for the development of Cable TV in the United Kingdom.

In the name of 'The Cable Industry', I am organising a stand within the 'Intercom 84' Exhibition at the forthcoming CBI National Conference at Eastbourne. Many of the companies playing a significant role in the development of Cable are participating in this demonstration to the rest of British Industry that, contrary to what the media have misguidedly suggested over recent months, the 'The Cable Industry' is up and running! Furthermore, most of us regard Cable as being an important change engine in the overall drive towards an 'information society' and are determined to fully exploit the newly deregulated telecommunications environment. To this extent we feel that many major British companies and institutions are delaying, to their future detriment, an early investment or active participation in some aspect of Cable development.

CBI

I am aware that you may be visiting the Intercom 84 exhibition when you address the Conference on 4th November and I am therefore writing to extend an invitation to you to visit 'The Cable Industry' stand.

Whilst in no way doubting your Government's continued commitment to the development of Cable in this country, it would give welcome encouragement to those of us fighting at the front and would reinforce in the minds of other CBI members that Cable is something with which they should concern themselves sooner rather than later.

Yours sincerely,

Malcolm J. Matson
Chief Executive, National TeleCable Management Ltd.
Director, Aberdeen Cable Services Ltd.

File de

MR. BUTLER

CBI Conference

Derek Edgar has raised a couple of points about the arrangements for the Prime Minister's attendance at the CBI Conference which illustrate the sort of problems we may encounter from now on.

You will recall that the Prime Minister has agreed to attend a reception (which is for about 1,200 people) before the question and answer session starts. The local police (East Sussex) are unhappy about the Prime Minister entering two of the four reception rooms, since these house an exhibition which will have only been set up the night before, under conditions which are difficult to control stringently.

The second point concerns the hotel, which Derek Edgar says is uncannily similar to the Grand Hotel at Brighton. At the request of the police, the CBI have agreed to move the Prime Minister's accommodation into the same wing of the hotel as the dining room where she will be after the session. This wing will be subject to exhaustive security precautions, but the rest of the hotel will not, and they would much prefer the Prime Minister not to venture into it.

The local police have told our detectives that they would like these points brought specifically to the Prime Minister's attention. This seems to me rather heavy handed, and if you agree I think it might be more sensible for me to have a quiet word with the CBI organisers to see if they can rearrange the reception slightly to avoid the need for the Prime Minister to enter the exhibition halls. If they could, then I think we could bring the second point to the Prime Minister's attention more informally nearer the time.

DMB

24 October 1984

bile ECU

CF have file

DETECTIVES

CBI CONFERENCE, EASTBOURNE

Could you please telephone Sir Terence Beckett's Secretary, Linda Turner on 01-379 7400 about security arrangements for the CBI Conference at Eastbourne on 4 November.

The Prime Minister at present plans to travel to Eastbourne from No.10 arriving at about 6.15. She would look in at the Reception before taking part in the Question and Answer Session which begins at 7.15. There is a Dinner afterwards which is due to begin at 8.30 and Linda Turner says that one of you would be very welcome to attend as a guest. The CBI understand that the Prime Minister will have to return to London the same evening.

DB.

19 October 1984

B/F with CBI visit papers overnight 11/11 AT 10/10

231/44

10/10

Treasury Chambers, Parliament Street, SWIP 3AG

Andrew Turnbull Esq
10 Downing Street
Whitehall
LONDON
SW1

9 October 1984

Dear Andrew,

PRIME MINISTER'S VISIT TO CBI CONFERENCE, SUNDAY 4 NOVEMBER

You may wish to feed in to any briefing which is being prepared for the Prime Minister's visit to the CBI conference on Sunday 4 November that the Royal Mint have recently joined it and that the Prime Minister may well therefore see their display stand at the conference (see attached papers).

Should any more background information be required on this, it would probably be best to go directly to Dr Gerhard at the Mint (01 828 8724/5/6).

Yours ever,

Adrian Ellis

A M ELLIS
Private Secretary

5 OCT 1984

ECONOMIC SECRETARY

cc PS/Master of the Mint
Mr Watts - Try (for info)

For a number of years the CBI has been attempting to recruit the Royal Mint as a member and this is to inform you that we have at last succumbed. I have made it clear, and the CBI accept, that we cannot become involved in any CBI programmes aimed at persuading or lobbying the Government and that we expect to be more distanced from such programmes than the nationalised industries.

We propose to review the benefits of membership at the end of our first year. The most immediate benefit is that the Royal Mint will have a display stand at the CBI Conference which promises an excellent opportunity to market our collectors coins as premium and incentive gifts. The stand may well be seen by the Prime Minister when she visits the Conference on Sunday 4 November and you may feel she should be warned in advance.

Yes

Other potential benefits of CBI membership involve such areas as health and safety, education and training, production (eg metrication), research and technology, and energy. The immediate disbenefit is a torrent of paper.

D J GERHARD
DEPUTY MASTER
4 October 1984

010.

CF file

PA. on file

M

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215)
GTN 215) 5147
(Switchboard) 215 7877

From the Minister of State
for Industry and Information Technology

GEOFFREY PATTIE MP

Sir Terence Beckett CBE
Director General
Confederation of British
Industry
Centre Point
103 New Oxford Street
LONDON WC1A 1DU

9 October 1984

Dear Terry

Thank you for your letter of ~~28~~ will request if required September inviting me to open the 'Intercom '84' exhibition at your National Conference at Eastbourne on 4 November. I am pleased to be able to accept and also to stay for the Prime Minister's question and answer session and the dinner.

However I have a lunch engagement in London on that day and perhaps you would let me know if I may arrive for the opening at about 4 pm.

Yours ever

Geoffrey

GEOFFREY PATTIE

OC2/OC2AAA

999-5

file. to

10 DOWNING STREET

From the Private Secretary

3 October, 1984.

CBI Conference: Eastbourne: Sunday 4 November

I have had a word with the Prime Minister about the programme for her visit to Eastbourne. She feels, alas, that she has not enough time to visit the Dog House. As you know, the date precedes the State Opening of Parliament, and she is going to be under great pressure. But none of this I need explain to you.

She will see you at the Conference. Happy days!

ER

Ian Gow, Esq., M.P.

CB1

E.R.
CF File

Spoke to Lady Turner, Sir Terence Beckett's Sec 379.7400 X 511 to confirm timings. CR. 3/10.

PRIME MINISTER

CBI QUESTION AND ANSWER SESSION AT EASTBOURNE ON SUNDAY 4 NOVEMBER

1. Would you be happy for the question and answer session to start at 1915 hours, last an hour and a quarter, with dinner starting at 2030 hours. This means you could get away from Eastbourne at about 2200 hours.

PLEASE REMEMBER THAT THE OPENING OF PARLIAMENT IS ON TUESDAY 6 NOVEMBER.

Content for above timings for CBI Conference? Yes

2. You are committed to looking in at a reception prior to the question and answer session.

Do you wish to go to tea with Ian Gow at his home just outside Eastbourne?

Mrs no time not CR.

2 October 1984

Directors Office
Finance & Administration Division

Borough of Eastbourne

Michael J. Mitchell, Director of Tourism & Leisure

TOURISM & LEISURE DEPARTMENT, WINTER GARDEN, EASTBOURNE, SUSSEX, BN21 4BP, ENGLAND. TELEPHONE: STD 0323 25252

Prestel* 33282#

Telex 87146

Our ref: 1/EOY/

Your ref:

Cf - is this on the CBI file?

21st September, 1984

Mr. David Barclay,
Private Secretary,
10 Downing Street,
LONDON.

DMB
25/9

Dear Mr. Barclay,

It was most kind of you to write to me and although we are naturally disappointed the Prime Minister is not able to accept our invitation, we fully understand the situation.

12 Sept.

May I take this opportunity of expressing our good wishes to the Prime Minister and a warm welcome to Eastbourne for the C.B.I. Conferences in November.

Yours sincerely,

Michael Mitchell

DIRECTOR

file da

10 DOWNING STREET

From the Private Secretary

21 September 1984

Mr. Thatcher has asked me to reply to your letter of 18 September and to thank you for inviting him to come to Eastbourne with the Prime Minister on Sunday 4 November.

He would be delighted to accompany her.

Caroline Ryder

Sir James Cleminson, M.C., D.L.

JSC

E.R.

Caroline

MR. THATCHER

CBI CONFERENCE, EASTBOURNE

Sir James Cleminson is wishing to build up the CBI Conference. As you know, the Prime Minister usually addresses their annual dinner biennially but Sir James particularly wanted the Prime Minister to attend this year's conference which always takes place on a Sunday/Monday and will be held at Eastbourne.

The Prime Minister has agreed to do their question and answer session. She has also agreed to look in at a reception prior to the question and answer session and to stay for a dinner afterwards.

Are you happy to accompany her?

Caroline

CR.

JC! Eastbourne!!
OK. Tell James Cleminson I will be there with PM. What about that Dukedom you have been promising us all these years!!

S 20/9

20 September, 1984

MEMBER OF CONFEDERATION OF BRITISH INDUSTRIES
MEMBER OF DUNDEE & TAYSIDE CHAMBER OF COMMERCE & INDUSTRY

M. W. Stephens

BY APPOINTMENT
HERALDIC WOOD CARVERS TO THE STANDING COUNCIL OF SCOTTISH CHIEFS.

BY APPOINTMENT TO THE LORD LYON KING OF ARMS HERALDIC WOODCARVERS

TEL: BLAIRGOWRIE (0250) 2025

ROSEMOUNT HOUSE
BLAIRGOWRIE
PERTHSHIRE
PH10 6LS

19th September, 1984

David Barclay, Esqre.,
Private Secretary to the Prime Minister,
10 Downing Street,
London.

GR/CF
Please p.a. This relates to the CBI Conference in November.
DMB 26/9

Dear Mr. Barclay,

Thank you so much for your letter of 12th September which arrived during my absence on business in the south.

It was extremely thoughtful of you to write and tell me that the Prime Minister will be coming to the reception for a little while. I am sure that she will enjoy it as she will at least be amongst all her friends and supporters. It would be a great honour for us to show her some of our work, but as we are almost opposite the entrance of the reception area, she might find time just to cast her eye over in our direction.

In any event, it was extremely thoughtful of you to let us know the position and both my wife and I are extremely grateful that you found the time to write.

Yours sincerely

Patrick Stewart-Blacker

Patrick Stewart–Blacker Anne Stewart–Blacker

CAROLINE

Please advise what all this is about and why a Sunday and where I like James Clemmison

S 19/9.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

CBI

18th September 1984

Dear Denis,

As you will appreciate, we are delighted that Margaret is coming to the Question Time at the CBI Conference on Sunday November 4th.

I do hope that you will be able to accompany her, because I think you would probably enjoy it, and there should be a good dinner afterwards.

Yours.
James.

Denis Thatcher Esq., MBE, TD,
10 Downing Street,
London, SW 1.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

CBI

17th September 1984

c/f PPS

19/9

Dear Prime Minister

Thank you very much for your letter. We are all greatly looking forward to your visit to the CBI Conference in Eastbourne on 4 November. I am glad that you expect to look in at the reception before the question time session, and I am delighted that you can spare the time to stay on for dinner afterwards.

My office will be in touch with yours to let you know final arrangements nearer the time.

Many thanks for the support.

Yours

James.

The Rt. Hon. Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1A 2AA

file ECL

10 DOWNING STREET

THE PRIME MINISTER

13 September 1984

Dear James,

Thank you very much for your letter of 7 August, which arrived while I was on holiday.

I am looking forward to visiting the CBI Conference on 4 November, and will aim to arrive in time to look in at the reception before the question time starts.

I am afraid it would be difficult for me to join you in time to open the exhibition before the reception, but I should be delighted to stay for dinner afterwards.

Yours ever

Margaret

Sir James Cleminson, M.C., D.L.

Meetings with CBI: INDUSTRIAL POLICY

PART 4.

file ECL

10 DOWNING STREET

THE PRIME MINISTER

13 September 1984

Dear James,

Thank you very much for your letter of 7 August, which arrived while I was on holiday.

I am looking forward to visiting the CBI Conference on 4 November, and will aim to arrive in time to look in at the reception before the question time starts.

I am afraid it would be difficult for me to join you in time to open the exhibition before the reception, but I should be delighted to stay for dinner afterwards.

Yours ever

Margaret

Sir James Cleminson, M.C., D.L.

E.R.

GR

For despatch pm.

DMS
13/9

PRIME MINISTER

CBI CONFERENCE EASTBOURNE: 4 NOVEMBER

I attach a draft reply to Sir James Cleminson's letter of 7 August about the CBI Conference, which we acknowledged in your absence on holiday.

The reply accepts Sir James' invitation to dinner afterwards, but declines the invitation to open the exhibition. If you were to accept this, you would have to get to Eastbourne by about 4.30, even though the question time does not start until 7.00, and the dinner is unlikely to end before 11.00.

DMS

12 September 1984

FILE DCAAGF

10 DOWNING STREET

From the Private Secretary

12 September 1984

As you will know from Robin Butler's letter of 11 April the Prime Minister has been invited to take part in a question and answer session at the CBI Conference, on the evening of Sunday 4 November.

The Prime Minister has now decided definitely to accept this invitation. It is still a little early to think about briefing, but could I please give you advance notice that the Prime Minister would find it helpful to have a note of the main issues and questions which are likely to be put to her. She is, however, unlikely to require specific briefing on general industrial and economic matters for this occasion.

I am sending copies of this letter for information to David Peretz (HM Treasury) and David Normington (Department of Employment).

David Barclay

Callum McCarthy, Esq.,
Department of Trade and Industry.

FILE DCAAGH

10 DOWNING STREET

From the Private Secretary

12 September 1984

The Prime Minister has asked me to thank you for your letter of 15 August, in which you invited her to take tea with the Mayor and Mayoress of Eastbourne during the afternoon of Sunday 4 November.

The Prime Minister very much regrets that she will not be able to accept this kind invitation. She is unlikely to be able to arrive in Eastbourne until shortly before her main engagement at the CBI Conference, which starts at 7.15. Nevertheless, she is most grateful to the Mayor and Mayoress for their kind thought, and was also very interested to hear about the exhibitions on view at the Towner Art Gallery.

David Barclay

M.J. Mitchell, Esq.

FILE DCAAGG

10 DOWNING STREET

From the Private Secretary

12 September 1984

You wrote to the Prime Minister on 20 July about the reception which forms part of the CBI Conference at Eastbourne on Sunday 4 November, and my colleague Caroline Ryder replied on 26 July.

I thought you might like to know that the Prime Minister is now hoping to attend the reception for at least part of the time, although I am afraid I cannot promise that she will necessarily have an opportunity to see your firm's stand. I am sure that she would be interested to do so if time permits.

David Barclay

Patrick Stewart-Blacker, Esq.

Directors Office
Finance & Administration Division

Borough of Eastbourne

Michael J. Mitchell, Director of Tourism & Leisure

TOURISM & LEISURE DEPARTMENT, WINTER GARDEN, EASTBOURNE, SUSSEX, BN21 4BP, ENGLAND. TELEPHONE: STD 0323 25252

Our ref: 1/JW

Your ref:

Prestel* 33282#

Telex 87146

15th August, 1984

The Right Hon. Mrs. M. Thatcher, MP,
Prime Minister,
10 Downing Street,
LONDON,
SW1

Dear Prime Minister,

CBI CONFERENCE 4th - 6th November, 1984

We are all delighted to learn of your intention to visit Eastbourne to participate in the CBI Conference this year and I wonder whether it may be possible for you to fit in a visit to the Towner Art Gallery during the afternoon of Sunday 4th November for Sussex Cream Tea with His Worship the Mayor and Mayoress, Councillor and Mrs. L. Mason.

At that time we shall have four art exhibitions on view, of which one reflects work from within the Common Market from our permanent collection together with an exhibition from the Eastbourne Group of Artists.

The Towner Art Gallery is the former manor house of Eastbourne and has been in the ownership of Eastbourne Borough Council since 1923, when it was acquired as an Art Gallery. It is set in beautiful parkland in the Old Town area.

It may be, Prime Minister, that you will have received a similar letter from the Secretary of the CBI, Mr. D. Jackson, alerting you to this invitation and I very much look forward to your reply.

Yours faithfully,

DIRECTOR

CC/BI

WEEKEND BOX

1. MR. BUTLER
2. PRIME MINISTER

GR/GF

pps pm.

12/9

CBI CONFERENCE: 4 NOVEMBER

You are due to take part in a Question Time session at the CBI Conference in Eastbourne on the evening of Sunday, 4 November. The session starts at 7 pm for ~~0~~715 pm, and is due to end by approximately ~~0~~845 pm.

You have also been invited to three events before and after the Question Time itself:

(i) To tea with the Mayor and Mayoress, to be combined with a visit to the Towner Art Gallery just outside Eastbourne.

(ii) To a civic reception at the Winter Gardens, starting at 0545 pm and continuing until the start of the Question Time.

(iii) To dinner afterwards with the President of the CBI and his committee.

Sir James Cleminson would understand if you felt unable to accept the dinner invitation, since he knows that it would make a very late return to London for you. You could also, I am sure, decline tea with the Mayor on the grounds that it would be difficult to get to Eastbourne until the early evening. (You will be coming from Chequers, but will have been in Germany all day on the Friday, and have the State Opening the following Tuesday).

Agree to look in at the Reception before the Question Time starts, but to decline the tea and dinner invitations?

Will stay for dinner

MT.

DMB

3 September, 1984

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

CBI

15th August 1984

Dear Mr Barclay,

Many thanks for your letter about the arrangements for the Prime Minister's attendance at the CBI National Conference at Eastbourne. I note what you say and look forward to hearing from you further in due course.

Yours sincerely,

James Cleminson

D.M. Barclay Esq.,
Private Secretary to the Prime Minister,
10 Downing Street,
London, SW 1.

JC

10 DOWNING STREET

From the Private Secretary

9 August 1984

I am writing in the Prime Minister's absence overseas to thank you for your letter of 7 August about the arrangements for her attendance at the CBI Conference at Eastbourne on Sunday 4 November.

I will place your letter before the Prime Minister on her return, and will let you have her reaction to your invitation to open the "Intercom" Exhibition as soon as possible thereafter. I think, however, that I should sound something of a warning note now about your kind proposal that she should be your guest at a dinner after the Question Time session. The Conference does come at a particularly busy time for the Prime Minister and she will need to return to London on the Sunday evening. She may, therefore, prefer to depart straight after the Question Time session, but I will let you know definitely in September.

(DAVID BARCLAY)

Sir James Cleminson, MC, DL.

BC

E.R.

MR. BUTLER on return

CBI CONFERENCE EASTBOURNE

Please see the attached letter to the Prime Minister from Sir James Cleminson and my interim reply.

You may wish to consult the Prime Minister about the invitation to open the "Intercom" Exhibition and attend the reception before the Question Time session. But I do hope that she will agree to decline the dinner invitation. The meal is not even scheduled to begin until 2045, which would mean a very late return to London; and the State Opening follows on Tuesday, 6 November.

DMB

8 August 1984

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir James Cleminson MC DL
President

CBI

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1A 2AA

GR

There are other pps. Please try CF.

Attached: DMB 7/8

7 August 1984

Dear Prime Minister,

I am writing to confirm the arrangements for your visit to the 8th National Conference of the CBI at Eastbourne on Sunday 4 November.

There will be a Civic Reception at the Winter Garden for Conference delegates commencing at 17.45.

The actual Question Time session on industry and politics will follow in the adjoining Congress Theatre at 19.15 and it is suggested that there is a brief discussion beforehand at 19.00 in the VIP Room at the theatre with the Question-Master, Mr Peter Murray.

I would welcome any views you may have on the procedure for this session but provisionally we plan that questions should be taken from the audience who will have access to roving microphones and will signal their wish to ask a question by raising a hand.

The session is due to conclude at 20.45 after which it is proposed to hold a small dinner party in your honour at the Grand Hotel to which members of the President's Committee and Mr and Mrs Murray will be invited.

Since the announcement of your intention to join us on 4 November there has been an immensely good response from CBI members indicating their intention to be at Eastbourne.

There is, therefore, one final suggestion which I would ask you to consider. As part of the arrangements for the Conference being held under the theme "Agenda for Enterprise" there will be an exhibition featuring the best of information technology under the title "Intercom".

A number of major companies will be exhibiting, led by British Telecom which intends taking a prominent site.

../2

Would there be any possibility of your undertaking to visit the exhibition immediately prior to the reception, and to declare it officially open? Naturally, I would not wish to burden you unduly but the exhibition would provide you with an opportunity to underline the crucial importance of new technology, which is so closely related to the "enterprise" theme of the Conference.

Hope you have a really good holiday and enjoy it.

Yours ever

James.

TEL: BLAIRGOWRIE 2025

ROSEMOUNT HOUSE
BLAIRGOWRIE
PERTHSHIRE

30th July, 1984

Mrs. Caroline Ryder,
Private Secretary,
10 Downing Street,
London W.

Dear Mrs. Ryder, cc. 2/8.

It was extremely kind of you to write to us here and I would ask you to thank the Prime Minister for her very kind thought.

I fully understand that her visit to Eastbourne will be very overcrowded, and it is a pity that she will be unable to stay for the reception, the more especially as she would have been amongst true friends.

Once again, many thanks for your very kind thought in writing and my wife and I send our best personal wishes to you.

Yours sincerely.

Patrick Stewart

File on Eastbourne file

10 DOWNING STREET

From the Private Secretary

26 July, 1984

Although you very kindly said not to reply to your letter, the Prime Minister particularly wanted me to write and thank you for taking the trouble to write as you did and for your encouragment. Mrs. Thatcher is grateful to you and your wife and is looking forward to her visit to Eastbourne in November. Her programme for that visit has not yet been finalised, but as her diary for the period is very overcrowded, I rather suspect that she will not have time to attend the reception, but will simply attend the Conference.

With best wishes.

Mrs. Caroline Ryder

Patrick Stewart-Blacker, Esq.

MEMBER OF CONFEDERATION OF BRITISH INDUSTRIES
MEMBER OF DUNDEE & TAYSIDE CHAMBER OF COMMERCE & INDUSTRY

M. W. Stephens

BY APPOINTMENT
HERALDIC WOOD CARVERS TO THE STANDING COUNCIL OF SCOTTISH CHIEFS.

BY APPOINTMENT TO THE LORD LYON KING OF ARMS HERALDIC WOODCARVERS

THE GUILD OF MASTER CRAFTSMEN

TEL: BLAIRGOWRIE (0250) 2025

ROSEMOUNT HOUSE
BLAIRGOWRIE
PERTHSHIRE
PH10 6LS

20th July, 1984

The Rt. Hon. Margaret Thatcher, P.C., M.P.,
The Prime Minister,
House of Commons,
London SW1A.

My dear Prime Minister,

I am prompted to write you to thank you at long last for coming out personally against the "enemy at home".

I would just like you to know that you have the fullest support of most people I know up here, but for some time, people like myself who run their own show, which is most of us in this area, I personally for some time have been worried about the possibility of giving down to that wretched blackmailer.

From the onset of your leadership of the country, people like myself have accepted the extremely stiff dose of medicine which has been dished out so many times that it hurt very badly, and in the case of my firm in 1979 hit us very badly when the value of the pound was far too high against the dollar and in consequence of that and a world recession, we virtually lost our main markets, that is those on the other side of the Atlantic. During the difficult years that followed, I have consistently taken the view that your treatment was right, although frankly at times I could have seen you in hell, but your inspiration has led us through all this and we are now seeing a very sunny light at the end of the tunnel. However, during this period, I have consistently fought my accountants and at times my banker against putting any of my very highly qualified craftsmen on short time, let alone paying them off. This at times seemed like suicide as our overdraft has doubled in the bank and at times, the business finds it difficult to service it, let alone reduce it. However, I feel that at long last, we are through the worst and that now more than ever, we are recognised as probably the best firm of our kind throughout the world. This is also reflected in the attitude of both my bank and the accountants that they now take the view in hindsight that I was right and seem to have a certain amount of admiration for the courage that both my wife and I had in laying our whole heritage on the line.

This is why it is imperative that no matter what hardship has to lie ahead of us, these wretched blackmailing communists have got to be stopped once and for all and let private industry bail the country out of its mess in peace.

Please do not bother to answer this letter as I know you have far better things to do. As a matter of interest, we are looking forward to seeing you at Eastbourne on Sunday, 4th November when you will be addressing the C.B.I. Whilst I know it will be a busy time for you, if you are able to be at the reception, my firm has a stand displaying its work pretty well by the entrance and it may be of interest to you in passing to glance at some of our extremely intricate work.

Once/

Patrick Stewart-Blacker Anne Stewart-Blacker

Once again, I beseech you not to give down. You do have most people behind you and we certainly must have your type of leadership for at least another fifteen years. My wife and I send this letter to you with great humility and a very fond personal affection.

Yours Sincerely

Patrick Stewart Black

E.R.

CBI CONFERENCE IN EASTBOURNE ON 4 NOVEMBER

NOTE FOR THE FILE

I spoke to Ian Gow today. He would be delighted to welcome the Prime Minister to his home near Eastbourne either before or after the Conference if she would like to go.

CR.

CAROLINE RYDER

19 July 1984

10 DOWNING STREET

From the Principal Private Secretary 31 May 1984

Thank you for your letter of 25 May and for sending me the CBI submission on International Economic Policy. This will be very useful.

FCDS

John Caff, Esq.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

Director-General
Sir Terence Beckett CBE

Secretary
Denis Jackson

CBI
CONFEDERATION OF BRITISH INDUSTRY

F E R Butler Esq
Principal Private Secretary
to the Prime Minister
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

25 May 1984

Dear Robin,

I enclose for your information a copy of the CBI submission on International Economic Policy which has been forwarded to the Foreign Secretary.

Yours ever,
John

John Caff
Director
Economic Affairs Directorate

It was good to see you on Wednesday.

Enc

CBI SUBMISSION ON INTERNATIONAL ECONOMIC POLICY

1 The report last year of a CBI Working Party on International Economic Policy identified four key problem areas:

a protectionism;

b the volatility and pattern of exchange rates;

c the burden of indebtedness;

d slow growth in the industrial world.

2 There has been little significant change in the international economy since then. While the growth rate of the OECD economies as a whole is somewhat higher than expected and inflation is no worse than feared, the same problems of high real interest rates, particularly in the United States, of threats from protectionism, and the burden of indebtedness on developing countries, remain.

International Trade

3 The open trading system has been a major engine for economic growth and higher real income and wages in the post-war period. Despite a global recession and increased protectionist pressures, international trade has held up reasonably well and there is hope for a resumption of desirable rates of growth. Further trade restrictions at this critical period could endanger these prospects and the role of the open trading system in resolving the debt crisis still affecting the Less Developed Countries.

4 Since the benefits of this trading system are not always immediately evident, while adjustment problems are easily visible, governments are inclined to intervene without considering the widespread harm which can result from such action. Thus the long-term public good served by the open trading system is often eroded by short-term measures.

5 Governments should defend and strengthen the principles of the GATT system. Those represented at the London Economic Summit have a special responsibility to maintain and abide by the international trade rules; they will be judged by their performance and should use this occasion to demonstrate their continued commitment to the system by concrete actions. This should include an endorsement of rollback of protectionist measures in a credible and transparent form, supported where possible by specific measures.

6 As a positive contribution to an improved trading environment, governments should take action to accelerate the tariff cuts negotiated during the Tokyo Round, and give strong and continuing attention to the early conclusion of outstanding issues still being negotiated within GATT.

7 Looking beyond such issues, steps should be taken towards the identification and discussion of others such as trade in services, which may be the subject of future rounds of multilateral negotiations.

8 The OECD, in conjunction with GATT, should explore ways of encouraging newly industrialised countries to increase their commitment to GATT obligations. The future of the open trading system depends on successful integration of these participants in global trade and the removal of current inequities. GATT efforts to encourage their participation should be strongly supported.

9 Also important is the need to protect against fiscal or other extra-territoriality of which unitary taxation on a worldwide combined reporting basis is a prime example. Progress in the activities of US Treasury Secretary Regan's Working Group, involving recognition of the problems for foreign companies, is welcomed. More remains to be done to reach agreement on a solution and then to secure its effective implementation, which remains our goal.

The Burden of Indebtedness

10 While the international debt crisis has not erupted there has been a deterioration in the situation since last year. Indebtedness problems continue to affect adversely world trade and output and threaten the integrity of the international financial system. High interest rates in the United States, partly attributable to the large federal budget deficit, are adding to the burden for many countries.

11 Debt rescheduling should be undertaken with each country's longer-term economic situation in mind in an effort to reduce the disruptive process of frequent or continuing debt negotiations, and strengthen their capacity for sustained economic growth. Efforts should be made to coordinate accounting and supervisory policies affecting the commercial banking system so that rescheduling terms can be more consistent with the economic realities of the countries concerned.

12 The IMF should continue to pursue conditionality, increasing its co-ordination with the World Bank, other international financial institutions, governments and private lenders.

Exchange Rates

13 The volatility of exchange rates continues to create difficulties for business. While fluctuations may have been less marked during the last six to nine months it is important to ensure volatility is further reduced in the future.

14 A major source of exchange rate volatility is the United States budget deficit which raises interest rates and creates uncertainty about the future conduct of US economic policy. Countries should pursue macro-economic policies with full consideration of the impact on exchange rates and the effect on other economies.

15 Intervention and other temporary measures to offset or smooth the impact on exchange rates of temporary factors such as political disturbances could be effective in improving the predictability of rates and thus facilitating better business decisions.

16 It would also be desirable to increase the number of strong currencies able to play a vehicle role in international financial markets. In this connection, the proposed internationalisation of the Yen should be an immediate objective.

Growth and Inflation

17 Since the last Summit world growth forecasts have been revised upwards and inflation remains low. Sustaining growth with low inflation will require that all countries adopt appropriate fiscal and monetary policies.

18 It will also require that economies should become more adaptable and flexible. Government policies must therefore pay attention to the supply side of the economy and remove restrictions on the mobility of capital and labour. Tax rates and structures, as well as social expenditures, must be consistent with the incentives necessary for entrepreneurial efforts within the economy.

19 Governments should move to reduce distortions to market signals by, for example, removing subsidies, making tax laws more neutral, lowering protectionist trade and investment barriers, and encouraging exchange rates that reflect economic fundamentals.

20 While keeping firm control over the level of public expenditure, governments must renew and strengthen their efforts to support basic education, training and retraining so that the work force of the future will match the skill requirements of the economy.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir Terence Beckett CBE
Director-General

CBI

25th May 1984

PR. file

Dear Robin,

Just to let you know that we have followed up the suggestion of inviting Pete Murray to act as question master and compere at Eastbourne when the Prime Minister is with us and he is delighted to accept the commission.

My Director of Information, Keith McDowall, is in touch with him to tie up the arrangements but I would be grateful if you would let the Prime Minister know.

Yours sincerely,

Terry.

Robin Butler Esq.,
Principal Private Secretary,
10 Downing Street,
London, S.W. 1.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir Terence Beckett CBE
Director-General

CBI

21st May 1984

Dear Robin,

Thank you for your letter of today's date about a question-master for the question and answer session at the CBI National Conference in Eastbourne on Sunday, 4th November.

We will certainly ask Pete Murray if he would be available and will let you know as soon as possible.

Yours sincerely,

Terry.

Robin Butler Esq.,
Principal Private Secretary,
10 Downing Street,
London, S.W. 1.

Ind. Pol : CB1 P4

Here

10 DOWNING STREET

From the Principal Private Secretary

21 May 1984

You mentioned to me on the telephone some possible names for question-masters for the question and answer session which the Prime Minister is hoping to take at the first evening of the CBI Conference in Eastbourne on Sunday 4 November. I have now discussed these names with the Prime Minister. She likes the suggestion that Pete Murray might be asked to act as question-master for this session. If you would be content with this, you may like to enquire whether Mr. Murray would be available.

E. E. R. BUTLER

Sir Terence Beckett, C.B.E.

PRIME MINISTER

CBI Conference in Eastbourne : Sunday 4 November

You will remember that you agreed to take part in a question and answer session on the first evening of the CBI Conference as an alternative to attending next year's dinner.

You had some discussion with Sir Terence Beckett about a question-master for the session, and he went away to consider further possible names.

After discussion with Sir James Cleminson, he has come back with the names of Pete Murray, George Scott, David Jacobs, Brian Widlake or Alastair Burnett. The alternative idea was that James Cleminson himself should chair the session.

I do not see why a professional question-master is necessary. It would introduce an element of showbiz into the occasion and a professional question-master will want to intrude his personality into the occasion.

It seems better that Sir James Cleminson should take the chair and leave you to conduct the question and answer session yourself. Agree?

F.E.R.B.

I think Pete Murray would be a very good idea

MT

18 May 1984

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir Terence Beckett CBE
Director-General

CBI

RB

12th April 1984

Dear Prime Minister,

It was very good to see you yesterday and thank you very much for giving me your time.

We are of course absolutely delighted that you have agreed to speak on the eve of our National Conference in Eastbourne on Sunday, 4th November, 1984. We will be in touch again with your office to discuss further details of this.

Yours sincerely,

Terry Beckett.

The Rt. Hon. Margaret Thatcher MP,
Prime Minister,
10 Downing Street,
London, S.W. 1.

Subject

VC

cc Master

10 DOWNING STREET

From the Principal Private Secretary

11 April 1984

Dear Callum,

Prime Minister's Meeting with Sir Terence Beckett

Thank you for the briefing provided with your letter of 6 April for the Prime Minister's meeting with Sir Terence Beckett.

Sir Terence Beckett started by telling the Prime Minister that he saw the overall situation of industry as a good one. The CBI were now confident about the rest of this year and for as long as they could see into next year. The main questionmark was over the action which the United States Government might have to take after the election; the Japanese and German economies had recovered well. The latest CBI survey of trends in manufacturing industry had been very good, and profits were much better. The position was still patchy, with problems in engineering and some areas of manufacturing, and unemployment was not yet responding as well as other indicators.

Sir Terence said that the main purpose of his visit was to ask the Prime Minister to attend the first evening of the CBI Conference in Eastbourne on Sunday 4 November. The CBI had not yet decided the title of their Conference, but the theme would be enterprise and the use of new technology. With increasing CBI membership, he hoped to have an attendance of about 2,000 at the Conference compared with 1,000 last year and there would be considerable media coverage. He hoped to mount an exhibition of new technologies at the Conference, including their application to older industries, and he had invited the two British European Commissioners to attend, in order to focus attention on the need to open up the Community and on the problems of their social legislation. But the main purpose of the Conference would be to capitalise on the improvement in British industry and carry the momentum on with industrialists looking confidently to the future and reaching out for fresh opportunities.

After discussion, the Prime Minister said that she would be well disposed to taking part in a question and answer session on the Sunday evening at Eastbourne, as an alternative to attending next year's CBI dinner. Sir Terence Beckett said that he would discuss the format further with Sir James Cleminson and let the Prime Minister have further proposals.

/ Sir Terence Beckett

Sir Terence Beckett also referred to an initiative which the CBI had taken with the Japanese Government about encouraging positive discrimination in favour of British goods in Japan. The Japanese had responded well to this and the CBI had it in mind to send a trade mission which would have to be very well prepared so as to ensure that it did result in additional business for Britain. He hoped that the Prime Minister would mention this to Mr. Nakasone when she saw him at the Economic Summit. The Prime Minister asked Sir Terence to let her have a note of the CBI's proposals. She said that the ground would have to be well prepared, by identifying specific goods which the Japanese would take and by arranging their distribution in Japan.

I am copying this letter to David Peretz (HM Treasury) and David Normington (Department of Employment).

Yours ever,

Robin Butler

Callum McCarthy, Esq.,
Department of Trade and Industry.

3.67

CONFIDENTIAL

File

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

10 April 1984

Andrew Turnbull Esq
10 Downing Street

Dear Andrew

MEETING BETWEEN PRIME MINISTER AND SIR T BECKETT

Callum McCarthy sent me a copy of his letter to Robin Butler of 6 April enclosing briefs for the Prime Minister's meeting with Sir T Beckett tomorrow.

Although the brief on electricity prices is only included for defensive use, it goes further than we think wise. As the background note records, Ministers collectively have not addressed whether any further assistance should be given to those intensive users who may still be at a competitive disadvantage. The line to take should, we think, make more of what has already been done, avoid holding out prospects for the future, and make it clear that the points are only for use if raised.

In particular we suggest:

3rd tiret - a figure of "over £100m" can be attached to the measures taken since 1981.

4th tiret - should be rephrased as "other possibilities are being looked into, but there is the perennial problem of the statutory obligation not to show undue preference between groups of consumers"

6th tiret - should be dropped altogether. This is a sensitive point where Ministers have yet to reach a final decision. If it is raised we suggest the Prime Minister say it is a question for Electricity Boards in the first instance.

A copy of this letter goes to Callum McCarthy and to Mike Reidy at Department of Energy (with a copy of the DTI briefs).

Yours ever
David

D L C PERETZ

LINE TO TAKE

- Much has already been done for industrial electricity customers by the general standstill on industrial prices since 1983;

- It is accepted that prices to a minority of high load factor customers are higher than the prices paid by some of their Continental competitors, although the comparisons are affected by exchange rate changes and will narrow if Continental prices rise faster than in the UK;

- Some measures costing over £100 million have been introduced since 1981 to help these customers. The introduction of a larger number of charging periods should be of some further help;

- Other possibilities are being looked into but there is the perennial problem of the obligation not to show 'undue preference' between different customers, and of how to finance any reduction that might be made to high load factor customers;

- The issue has to be considered in the wider context of efficient pricing of alternative forms of energy and the financing of the electricity supply industry;

IF RAISED :

Too early to say what are the implications of the present miners' dispute for electricity costs. In the first instance this will be a question for Electricity Boards. Electricity industry and industry generally can only stand to benefit from efforts to create an efficient coal industry.

GP2 (DTI)

5 April 1984

E.R.

PRIME MINISTER

MEETING WITH SIR TERENCE BECKETT: 11 APRIL, 1130 HRS

Sir Terence Beckett is coming in at his request for one of his periodical meetings to touch base with you.

You will not need to spend much time on reading the attached briefing, which will be familiar to you. The natural subjects for general talk are the progress of the recovery, the Budget and the miners' dispute.(On that I find alarming the note by the DTI about some industries running out of coal by Easter and "tremendous" knock-on effects; and Andrew Turnbull is inquiring into this further). — see attached note AT

Sir Terence's main purpose is to persuade you to go to the first evening of the CBI's Conference on Sunday, 4 November, either to make a speech or to take part in a question and answer session on the CBI's theme of "A medium-term strategy for industry". He would like you to do this instead of the CBI dinner next year, to which they would then invite Norman Tebbit - the Chancellor is speaking at this year's dinner.

The main snag of your attending the Conference is that it is only a week before your Guildhall speech. So I would be inclined to suggest that, if you do it at all, you should do a question and answer session - we would no doubt be able to arrange to get notice of the questions. I should also tell you - but you should not tell Terry Beckett - was that Sir Campbell Fraser told me privately that he was not wholeheartedly in favour of your doing this. He said that the atmosphere at Eastbourne on the first evening of the CBI Conference was not really worthy of a serious speech by the Prime Minister, but no doubt it is Terry Beckett's purpose to build up the CBI Conference into a more important serious event.

F.E.R.B.

10 April, 1984

cc NO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215)
GTN 215)
(Switchboard) 215 7877

5422

Secretary of State for Trade and Industry
PS/

6 April 1984

Robin Butler Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Robin,

MEETING BETWEEN THE PRIME MINISTER AND SIR TERENCE BECKETT ON 11 ARPIL 1984

... I attach to this letter briefs dealing with:

i) the Budget and business: a general line on the points which the CBI may wish to raise in relation to the Budget, where the most likely points of contention are the changes in the capital allowance and corporation tax package, and the changes in the treatment of VAT on imports;

ii) electricity prices (long standing bone of contention with the CBI, which I am sure the Prime Minister would not wish to raise); and

iii) the background note on the effect of the coal miners' strike: clearly this is in extremely general terms, but the meetings of MISC 101 next week will no doubt keep the Prime Minister much better in touch with events.

2 As for the suggestion that the Prime Minister should attend the first evening of the CBI Conference on Sunday 4 November and either make a speech or answer questions, we should have no objection whatsoever. The Conference is a suitably prestigious affair for the Prime Minister to address, and the CBI would no doubt be delighted. If the Prime Minister decides to accept the offer, my Secretary of State would be pleased to accept the CBI invitation to speak at their dinner next April.

3 I am copying this letter and attachments to David Peretz (Treasury) and to David Normington (Department of Employment).

Yours ever

Callum McCarthy

M C McCARTHY
Private Secretary

JH2AAR

THE BUDGET AND BUSINESS

As background, an aide memoire which was sent to the CBI by the Treasury, is attached.

2. Broadly speaking the CBI have welcomed the industrial aspects of the Budget package, displaying less concern than had been anticipated on the phasing - out of high first-year capital allowances.

3. Particular points and criticisms which have been made by Sir Terence Beckett and the CBI are as follows:

(i) Capital allowance/corporation tax package

In spite of having previously expressed a wish to retain high first-year capital allowances, criticism of their phasing-out has been muted. But the CBI have called for a longer transitional period, to ease the difficulties of those firms heavily committed to an investment programme. The CBI have also said that the package will adversely affect small, fast growing, capital intensive companies while recognising that it will be beneficial to industry as a whole because it will encourage profitable investment.

LINE TO TAKE

It is gratifying that the CBI have recognised the overall benefit of the package in encouraging profitable investment. After-tax returns will be increased as a result of the sharp cut in corporation tax; and marginal projects, undertaken largely for tax reasons, will be discouraged. Distortion in the tax system - between capital and labour, between equity and debt and between one industry and another - will be reduced. Deciding the length of the transitional period is a matter of fine judgement. Some have suggested the change should have been sudden, with no transitional period. On balance, phasing over 3 years seems right. It is in business' own interest to move as soon as possible to the much lower rate of corporation

tax.

(ii) Postponed accounting system for VAT on imports

The ending of this system with effect from 1 October has also been broadly welcomed, on the grounds that this removes a bias in favour of imports. But industry also imports large quantities of goods - raw materials, semi-manufactures and finished products - and the CBI have suggested, arguing by analogy with practice is the Republic of Ireland, that the postponed accounting system should be retained for raw materials to ease the adverse effects of withdrawal of PAS on industry's cash flow.

LINE TO TAKE

Many CBI members will welcomethis change which has followed representations from various sectors of British manufacturing industry about the discriminatory effect of the present system in favour of imports. The possibility of retaining the postponed accounting system for raw materials has been examined carefully but we are advised that such discrimination would be illegal under the Treaty of Rome and we would be challenged by the EC Commission. It is true that the Irish system under which postponed VAT accounting applies to raw materials and components imported by companies exporting 75% or more of their production is a discriminatory measure; we will have to see what action the Commission takes. Moreover, to draw such a distinction would require additional staff resources and would lead to disputes as to where the line was to be drawn. Industry imports considerable quantities of semi-finished and finished manufactures; so special treatment for raw materials would be difficult to defend.

(iii) Extension of VAT base to include building alterations and hot takeaway food

The CBI have said that broadening the VAT base is preferable

to increasing the rate of tax. On the other hand, some reservations, though fairly muted, have been expressed about the effect on the building and takeaway food industries.

LINE TO TAKE

Agree with CBI that broadening the base is preferable to raising tax rate (which would have had to be raised to 16% to yield the same revenue on the old base). Naturally those industries directly affected will object. But the extension to building alterations removes a major source of confusion and litigation; and the extension to hot takeaway food extends the same VAT treatment as to other forms of catering.

(iv) National insurance surcharge

The CBI have warmly welcomed the abolition of this tax, for which they have always campaigned vigorously. One criticism is that it has been very slow in coming.

LINE TO TAKE

The Government are pleased to have been able to abolish this tax on jobs. Abolition came more slowly than would have been wished, but this demonstrates the Government's responsible attitude to financial policies. Earlier abolition could well have meant higher interest rates. Our stated objective was to abolish NIS within the lifetime of this Parliament: we have done it right at the beginning. Compared with the 3½% NIS we inherited, abolition means that we have given back to industry £3 billion a year to reduce costs and encourage employment. It is essential that the benefits of abolition are used to reduce costs and do not feed through into higher wages.

(v) Investment income surcharge

The abolition of this additional charge on investment income has been warmly welcomed.

LINE TO TAKE

The Government are pleased to have been able to abolish this additional charge. This removes discrimination against investment and will be particularly helpful to retired smaller business people who are living off the interest income from investment of the proceeds from the disposal of their business. This is often the way the self-employed provide for their retirement - rather than through pension arrangements. Abolition of the surcharge will further encourage small firm enterprise.

(vi) Share options

The CBI feel the introduction of a new and benign tax regime for shares acquired under employee options (capital gains tax rather than income tax, payable on disposal of shares rather than on exercising the option) will affect only a small number of people but that it is nevertheless a very important step in encouraging enterprise and good management.

LINE TO TAKE

The new tax treatment of share options illustrates the Government's commitment to enterprise. It will give companies a valuable new incentive to motivate and link the rewards of key executives and employees to the success of their companies. They could be a powerful incentive to attract top quality management which industry so badly needs. The changes will assist small and growing companies to attract key personnel; assist ailing companies to attract new management; assist large and established companies to retain and motivate staff. They will also give employees the chance to accumulate capital to start their own business and will encourage wider share ownership. This measure could have a larger and longer lasting effect on industrial performance than the direct reduction of costs on industry through measures such as abolition of NIS.

(vii) Business expansion scheme

The CBI have welcomed the exclusion of farming from the scheme,

which was diverting funds away from industrial investment. They feel a corporate investment vehicle - 'small firms investment company' would be preferable to the present approved funds system.

LINE TO TAKE

There was only one change to the scheme this year - the exclusion of farming. The scheme needs a period of consolidation to show how it is developing. Small firms investment companies would not necessarily represent a simplification - at least so far as the legislation is concerned, would not necessarily be more marketable, and would run counter to the object of the scheme which is to encourage individual investment and direct shareholdings in the individual small companies.

(viii) Stamp duty

The CBI have welcomed the changes - broadly, a reduction in the duty from 2% to 1% on both real property and share transfers - but would have preferred to see abolition.

LINE TO TAKE

This change will encourage labour mobility, wider share ownership and help to restore the competitiveness of the Stock Exchange. Stamp duty is an important revenue raiser and it would have been too expensive to abolish the tax completely.

GP1 (DTI)

6 April 1984

THE BUDGET AND BUSINESS: AN AIDE MEMOIRE

The Budget set the Government's course for this Parliament. The MTFS has been extended to cover 5 years. The Budget has two themes: to reduce inflation and improve the prospects for jobs; and to reform and simplify the tax system in a way that improves economic performance.

The PSBR and Interest Rates

2. For 1984/85 the Budget is broadly revenue neutral, compared with an indexed base. It will reduce the PSBR sharply as a percentage of GDP and this should allow progress to lower interest rates to be resumed. For 1985/86 the measures will reduce taxation by well over £1¾ billion. There are no public expenditure measures.

Business Tax Burden Cut Over Next Two Years

3. The Budget measures directly affecting business will reduce its tax burden over the next two years taken together by about £900 million, compared with an indexed base. In 1984/85 alone, within a neutral Budget, business will pay up to £500 million more tax (solely as a result of the once and for all impact of earlier payment of VAT on imports) but this will be outweighed by the gain to business in 1985/86 of about £1400 million. In the longer term the reduction in corporation tax rates to 35% should give a lasting cut in the tax burden on business.

Major Business Tax Measures

4. The major measures include:

a. corporation tax reform: abolition of stock relief; phasing out first year capital allowances; and reducing the CT rate by stages from 52% to 35%. The CT rate for "small companies" comes down immediately from 38% to 30%. The result will be broadly that UK capital allowances will be more in line with those in most other countries and corporation tax rates will be lower;

b. earlier payment (for most imports about a month after entry) of VAT on imports from 1 October, which will improve the competitiveness of UK producers against imports;

c. abolition of NIS from 1 October;

d. halving the main rates of Stamp Duty from 2% to 1%;

e. changes affecting the North Sea.

The Finance Bill will embody all these changes so that business ..... will be able to plan ahead with confidence. The attached Press notice explains the purpose and effects of a. and c. in more detail. In brief, the measures will raise profits after tax by lightening the tax burden and reduce the distortions entrenched in the present system. Businesses will be able to spend more on innovation of all kinds; and investment will bring a higher pre-tax return to the economy.

Business and the Capital Market

5. The halving of Stamp Duty on share transfers should lead to increased trading in equities and to more purchases by individuals. This should make it easier and cheaper for companies to raise new equity.

6. The Budget also contains several measures which will benefit company stock issues: in particular the new arrangements for deep discount stock and reliefs for companies issuing euro-bonds and convertible loan stock announced last year will go ahead; and most new corporate fixed interest securities held for more than a year will now be exempt from CGT.

Indirect Taxes

7. As part of a switch from taxes on earnings to taxes on spending, VAT will be extended to 2 areas at present zero-rated - alterations to buildings, and hot take-away food and drink - and tobacco duty is being increased by 15%.

8. Most other excise duties, and vehicle excise duty, will go up roughly in line with prices. Heavy oil duty will not be raised, and kerosene duty will be abolished.

9. The VAT registration threshold is raised to £18,700, as much as the EC directive allows.

Direct Personal Taxes

10. The relief for the foreign earnings of residents who spend at least 30 and less than 365 days abroad will be withdrawn from 1985/86. For 1984/85 a reduced relief 12½% will apply. The 100% relief for 365 days continuous absence is not affected.

11. Benefit scales for cars and for fuel provided by employers will be raised by 10% with effect from April 1985, a smaller increase than last year.

12. There will be a number of changes in capital taxes, which will be of particular help to owners of family businesses. The highest rate of Capital Transfer Tax will be cut from 75% to 60%. For lifetime gifts the rate will be half the rate on death over the whole scale. The limit for retirement relief for CGT will be doubled. The DLT threshold will be raised from £50,000 to £75,000.

13. The Investment Income Surcharge will be abolished.

14. There will be no change in income tax rates. Most allowances and tax thresholds will go up broadly in line with prices. But in order to ease the poverty and unemployment traps, the married man's and single person's thresholds will rise by 12½%, well over double the rise in prices. Every tax paying married couple of working age will have a tax cut of at least £2 a week.

15. Two changes will encourage share options. The contribution ceiling for savings-related share option schemes will be doubled from £50 to £100 a month. Secondly in order to do more to make top quality company management mobile and to increase the incentives to existing executives, share options generally, subject to certain limits and conditions, will be taken out of income tax altogether. Any gain will be subject to CGT on ultimate disposal.

Conclusion

16. The Budget will bring business substantial benefits. The effect of the tax changes, particularly of the CT reforms and

early payment of VAT on imports, on individual companies will of course vary widely. But the overall tax burden on business will be lightened over the next two years by nearly £1 billion. In the longer term the cut in the Corporation Tax rate by a third to 35%, which will be in this year's Finance Bill, will mean a lasting reduction in the tax burden. The abolition of NIS will benefit all employers, improving competitiveness and the prospect for jobs. The lower PSBR should help to bring down interest rates and tax changes will make companies' access to capital markets cheaper. The more generous provision for stock options will help to improve the mobility of key managers and also to reward those who do not change jobs for good results. More generally the tax reform will help to improve the UK's economic performance.

17. Small businesses will gain from the capital tax changes; and in particular from the immediate reduction in the "small companies" CT rate from 38% to 30%, well below the rate in most other countries.

HM Treasury
13 March 1984

ELECTRICITY PRICES

BRIEF

Background

The CBI have been pressing for a reduction in electricity prices for a number of industries for which electricity is a major element in their costs - chemicals, steel, paper, man-made fibres, glass and refractory products - particularly high load factor users.

2. Electricity prices to users at a load factor of 70% are about 10% above the average of Continental prices; the gap widens at higher load factor. This differential is a significant factor in the competitiveness of the electricity intensive industries. It is argued that the international competition faced by these industries and the risk to UK jobs and investment justifies a reduction in prices to the small minority of high load factor customers.

3. Removing the gap would cost about £60m in revenue foregone from intensive users. Basically there are three ways in which the gap could be removed:

a) 'tilt' the tariff structure so that intensive electricity users pay less and other customers (including domestic customers) pay more;

b) reduce tariffs to intensive users only and meet the cost by further cost savings by the electricity supply industry (esi);

c) relax the esi's EFL by £60m.

4. A number of specific measures have been suggested (by the CBI and others) to reduce tariffs to intensive users. The esi and DEnergy consider that all of these would breach the principles of economic pricing (tariffs should reflect long run marginal costs of supply). There is also a statutory obligation on the esi not to show 'undue preference' between different customers.

5. The Treasury would have to be consulted on any proposal to amend the esi's EFL.

6. Proposals on the options set out in para 3 above have yet to be put to Ministers.

LINE TO TAKE

- Much has already been done for industrial electricity customers by the general standstill on industrial prices since 1983;

- It is accepted that prices to a minority of high load factor customers are higher than the prices paid by some of their Continental competitors, although the comparisons are affected by exchange rate changes and will narrow if Continental prices rise faster than in the UK;

- Some measures costing over £100 million have been introduced since 1981 to help these customers. The introduction of a larger number of charging periods should be of some further help;

- Other possibilities are being looked into but there is the perennial problem of the obligation not to show 'undue preference' between different customers, and of how to finance any reduction that might be made to high load factor customers;

- The issue has to be considered in the wider context of efficient pricing of alternative forms of energy and the financing of the electricity supply industry;

IF RAISED :

Too early to say what are the implications of the present miners' dispute for electricity costs. In the first instance this will be a question for Electricity Boards. Electricity industry and industry generally can only stand to benefit from efforts to create an efficient coal industry.

GP2 (DTI)

5 April 1984

cc. Michael Reidy
D. Energy.

CONFIDENTIAL

PRIME MINISTER'S MEETING WITH SIR TERENCE BECKETT
DIRECTOR GENERAL OF CBI ON WEDNESDAY, 11 APRIL 1984

EFFECT OF COAL MINERS' STRIKE ON INDUSTRY

Sir Terence Beckett may wish to discuss the effect of the coal strike on industry.

2. Coal firing represents only 20% of the total energy needs of industry, some 13.4 million tonnes a year, of which 10.0 million tonnes are used by the iron and steel sectors, cement, and engineering and other metal trades. Some industries use coal to generate their own electricity.

3. So far the effect of the strike on industrial production has been minimal.

4. The steel industry has had problems mainly with coking coal. But by using stocks and imported coal BSC have been able to maintain production at all their sites except Scunthorpe where production was cut by half at the end of last month. The private sector mainly uses electric arc furnaces.

5. Iron foundries, particularly in the Midlands have experienced difficulties as a result of the cessation of supplies of coke from National Smokeless Fuels. Concessions are however being negotiated with the NUM for supplies to be delivered from existing stockpiles to foundries threatened with closure.

? 6. The situation could however deteriorate rapidly by Easter when companies who are not receiving supplies will be running out of stocks. Paper mills and leather processors are examples of industries whose stocks are dwindling fast. Once industries run out of coal stocks the knock-on effect will be tremendous. Car manufacturers are major customers of BSC and of iron foundries for castings.

7. If industries have to close because of shortage of coal, some claim they will loose their markets permanently.

GP
6 April 1984

CONFIDENTIAL

cc NO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 215 7877

Secretary of State for Trade and Industry

4 April 1984

Robin Butler Esq
No 10
London SW1

Dear Robin,

CBI

We shall be sending you briefing for the meeting between Sir Terence Beckett and the Prime Minister to take place next Wednesday. You may like to see in the meantime the minutes of the meeting between the Conservative Backbench Trade & Industry Committee and Sir Terence Beckett which took place on Tuesday 20 March, a copy of which I attach to this letter.

Yours ever

Cathum McCarthy

M C McCARTHY
Private Secretary

JH1AEJ

Sol

NR

Conservative Research Department

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9511

Director: PETER CROPPER

PRIVATE & CONFIDENTIAL

Meeting of the Backbench Trade & Industry Committee at 5.00 pm on Tuesday 20th March 1984.

Sir Terence Beckett, Director - General of the C.B.I. addressed the Committee.

Summary

Sir Terence said that the CBI viewed the Budget favourably and pointed out that it should be judged as a whole and for its overall effect rather than by weighing up the relative merits of each item within it . He then answered Members questions on specific points arising out of the CBI's post-Budget appraisal.

Minutes

Sir Terence said that 1984 offered a window of opportunity: the US economy would expand rapidly until the Presidential election when action might be taken to curtail the Budget deficit. The West German and Japanese economies were in better shape this year than last. The prospects for world trade in 1984 were good, while doubts existed on the outlook for 1985. CBI industrial trends surveys had registered gradual improvements in the state of British industry since January 1983; the Budget priority was to maintain this trend. He particularly welcomed the fact that the Chancellor had "set out his stall" for the next four or five years; this gave industry the confidence to plan ahead.

Commenting on individual elements in the Budget, Sir Terence said that

- the derating of empty industrial premises was very useful
- those affected by the alteration to stock options were small but important for the whole economy.
- action on Stamp Duty went only half-way to meeting what the CBI were looking for
- the abolition of investment income surcharge would help small firms
- the changes in corporation tax/capital allowance would as a whole adversely affect the small, faster growing companies who were investing heavily.

But Sir Terence made it clear that these changes were beneficial to industry as a whole as they offered a challenge to achieve greater profitability.

- the CBI had suggested to the Chancellor that raw materials should be exempted from the accelerated VAT payments on imports. The Government had thought this to be contrary to commission rules even though Ireland engaged in this practise.
- the CBI were sympathetic to the extension of the VAT base rather than raising the rate.

Answering Members questions

- He said while he thought there were specifics on which the Budget might be improved, he was not going to indulge in special pleading that undermined the base on which the Budget was built; the VAT change had provided the key to many of the other changes which industry had welcomed.

He did not think that the abolition of the NIS would be reflected in higher wages; wages were falling at the time that NIS was being gradually cut. He warned that wage rates were rising again with earnings in manufacturing rising even more. He pointed out that in the last year threehad been a 3 per cent rise in manufacturing costs in the UK at the time when costs in Japan and the USA had been falling by up to 3 per cent. He did not have the solution to this worsening in our relative position, although the increase in overtime was a contributory factor.

He said representations regarding the phased reductions in capital allowances had come mainly from fast growing high technology companies and engineering firms who were regretting that they would not be receiving what they had had in the past. Sir Terence said that it was important to point out that investment was only a means to an end; better returns on capital are what is important and the new regime will assist that objective.

He said that zero inflation was not a priority for the CBI as he felt the restraint required to achieve it would not be socially acceptable. He did feel however that inflation could be brought down further from its present level and must certainly not be allowed to rise again.

He did not think the Budget would have much impact on unemployment; that would depend on the level of growth. , but he felt industry itself and world conditions would have a greater effect.

He acknowledged that the technology gap between Europe and Japan and the USA was large and widening; there was a need to encourage a new spirit of enterprise in this area.

Sir Terence said that he thought industry displayed certain signs of "sloppiness".

- The assumption that pay awards should always equal the cost of living was wrong. The definition of what contributed a realistic pay settlement was not as stringent in the UK as that understood by our main competitors.

- Greatereffortscould be made by companies in reducing their overheads; a better structuring of companies was required as too many were top heavy. He noted that although many new jobs were being created, these would offset by the need to make economies in other areas.

He agreed that the Employment Protection Act did make employers cautious about taking new people on.

In conclusion Sir Terence said that he did not believe that it was possible to take any single action against restrictive international trade practises; it was a case of being vigilant and urging the Commission to move quicker. He said that retaliation would only foster greater protectionism in trade which would not help the UK.

ANDREW DUNLOP

AD/CE
28.3.84

file

BoC

10 DOWNING STREET

From the Principal Private Secretary

3 April 1984

Sir Terence Beckett, Director-General of the CBI, has asked if he can come for one of his periodical conversations with the Prime Minister and we have arranged an appointment for him at 1130 am on Wednesday 11 April. Sir Terence has told me that he does not wish to have any press publicity for this meeting, but equally it is not one which we would wish to keep secret. We shall therefore not volunteer a line on it, but if asked will say that it was one of a series of periodical conversations which Sir Terence Beckett has with the Prime Minister and that he reported to the Prime Minister on the CBI's view of the state of industry in the aftermath of the Budget and about the CBI's plans for their Conference in the autumn.

BK

On the latter subject, Sir Terence Beckett told me that he wants to suggest to the Prime Minister that she should attend the first evening of the CBI Conference on Sunday 4 November and either make a speech on the CBI's Conference theme of a medium-term strategy for British industry or else answer questions. I do not yet know whether the Prime Minister will be willing to do this since the date is only a week before her speech at the Lord Mayor's Banquet. If the Prime Minister were to attend the Conference, the CBI have it in mind that, instead of asking the Prime Minister to speak at their dinner next April - an engagement which she normally undertakes in alternate years - they would invite your Secretary of State to speak at that dinner.

I should be grateful if you could let me have by close of play on Monday 9 April a brief for the Prime Minister on current issues between the Government and the CBI, and in particular on Sir Terence Beckett's suggestion that the Prime Minister should take part in the first evening of the CBI's Annual Conference in November.

FERB.

Callum McCarthy, Esq.,
Department of Trade and Industry

Sit

E.R.

Mr Pleasance

Prime Minister ②
To note
AT 9/11

MR TURNBULL

9 November 1983

CBI CONFERENCE

MT

I attended the CBI Conference in Glasgow this week. The general mood of both the CBI Executive and the vast majority of delegates was strongly supportive of the Government's economic policies. The contrary impression given by most of the press reports of conference frustration that economic policy is continuing to restrict growth is misleading.

It is true that Sir Terence Beckett considered that we should be getting a somewhat higher rate of growth at this stage of the cycle and that the economy might run out of steam in the second half of next year. He proposed that sustained growth and low inflation should be joint objectives. However, this is consistent with Government policy despite the interpretations which the media placed upon his words.

Similarly Conference passed a motion with a large majority which called upon the Government to adopt such flexible policies as may be necessary to ensure sustained growth. However, nearly all speakers emphasised that this was not a call for policies which would endanger our achievements on inflation.

Although Sir Terence called for lower taxes and lower costs and in particular the abolition of the remaining 1% of the National Insurance Surcharge, he emphasised that this should be consistent with the Government's public expenditure targets. He urged Conference to support our proposals on rate capping and hoped that Government will use its limited scope to ensure that interest rates continue to fall.

Sir Terence devoted surprisingly little of his opening speech to the theme of self-help. Wage increases and productivity improvements received a cursory mention. However the general emphasis of Conference was much more on what business itself can do to stimulate growth than on demands for Government to change its approach.

The one main exception to this was the call for increased public expenditure on infrastructure investment. Sir Terence hoped that this would be part of the next budget and he announced a joint study by the CBI and the Federation of Civil Engineering Contractors on what needs to be done. The case for infrastructure investment was generally endorsed on the premise that it will benefit both the construction industry and industry generally but without inflationary consequences.

Most of the motions debated by Conference were passed overwhelmingly. However, Conference narrowly carried the motion that the UK should only allow the facility of free trade to other countries provided those countries reciprocate in equal measure. Almost everyone decried protectionism but the question of fair trade was a cause of great concern.

Perhaps surprisingly a motion supporting UK membership of the EEC but deploring the Community's lack of direction and calling on the Government to take a lead in developing a coherent Community industrial strategy was carried only narrowly. The main reason was a suspicion that this would imply support for centralised planning from Brussels. There was however a strong feeling that the UK was well placed to breathe life into the EEC.

One of the most interesting debates was on the proposition that Government financial assistance for industry is both a boon and a bind and that on balance we should be better off without it. Although heavily defeated, a large number of speakers expressed dissatisfaction both with the principle of financial assistance and with its implementation. Criticism was directed to both regional policy and the multitude of schemes to assist small businesses, innovation etc.

Conference also strongly rejected the current trend to reduce working hours and considered that the inclusion of shorter hours in pay negotiations is damaging competitiveness and job prospects.

My general impression is of a growing confidence in the business community that things are getting better and a feeling that it is primarily for industry itself to ensure that the improvement continues.

DLP.

DAVID PASCALL

FILE

RPT

10 DOWNING STREET

From the Private Secretary

8 November, 1983

The Prime Minister was grateful to you for sending copies of the speeches which you and Sir Campbell Fraser made at your Conference. She has read them with interest.

(A. Turnbull)

Sir Terence Beckett, C.B.E.

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332

From
Sir Terence Beckett CBE
Director-General

cc Press

CBI

(2)

Prime Minister
I have replied. You have already seen Sir Terence's speech but might like to glance at Sir Campbell's – attached, though it is hardly original.
AT 8/11

8th November, 1983

Dear Prime Minister,

I am enclosing a copy of my opening address to the CBI Conference that I made yesterday. Not unexpectedly, some of the Press have given a partial account of it and I am sure you would want to see the speech as a whole. I am also attaching a copy of Sir Campbell Fraser's closing speech at the Conference which will be made later today. I have sent copies to Mr. Nigel Lawson.

Yours sincerely,

Terry Beckett

The Rt. Hon. Margaret Thatcher MP,
Prime Minister,
10 Downing Street,
London, S.W. 1.

Enc

CBI SEVENTH NATIONAL CONFERENCE

GLASGOW 1983

SPEECH GIVEN BY SIR TERENCE BECKETT, DIRECTOR GENERAL

Mr President, Ladies and Gentlemen.

My job in this opening session of the Conference on a Monday morning here in Glasgow makes me think of the saying which, if it isn't a Scots proverb ought to be after last night: "It is not easy to soar with the eagles in the morning when you have been up with the owls all night". The only way to respond to Scots hospitality is to remind ourselves as one delegate in the lift this morning put it to me, "Water, you know, in moderation, never hurt anybody".

Which leads me rather naturally to the theme of this Conference: "Managing Recovery".

Half of you in this audience could say, based on your own experience, "What recovery?". And a wider audience, in the country as a whole, seeing the unemployment we have, is not convinced that a recovery is even in sight.

We did say at the last Conference that things were going to improve in the coming year and this has happened. Now you know us. Unlike Keynes' parrot we don't say "Oh what a beautiful morning!" irrespective of the weather. But it's strange. Some people do find a changed response to a changed situation a little difficult to understand. It is like the Kerry man in Dublin. You know, the man who complained about the inconsistency of the people in that great city ... whenever he asked the time that day, he'd been given a different answer.

/Our economic situation

Our economic situation hasn't changed as often as that, of course, but business has been through a difficult time. Now things are getting better - slowly. We must tell it as it is - popular or unpopular though it may be -and indicate to the nation as a whole, what we need to provide more jobs and prosperity.

This year has seen a further increase in total output. Even in manufacturing, from a decline in the previous year, we have seen, month on month, from January through to October this year, continued increases in orders, output and sales.

Nevertheless this improvement is small and, as our latest Trends Survey published last week shows, we are still at a low level. Eighty five per cent of the companies questioned said they were short of orders. Sixty five per cent are working below a satisfactory rate of operation. There is no doubt that business needs more business.

Furthermore the recovery is patchy, between sectors and companies and it is bound to be with the kind of structural change that is going on in this country. The best improvement has been in high technology and in the consumer goods industries.

There is now some increased activity in capital goods because of increased investment, but output is only just being maintained in intermediate goods.

/We believe growth

We believe growth will continue at least for the first half of 1984, but it is not likely to be very strong. Let us look at the factors that could give us growth next year: consumption, stock building, foreign trade and investment.

Consumption has increased very rapidly in the last fifteen months. Some of this has been financed by credit and hire purchase which now has to be paid for. Savings have also been run down to levels people may well consider too low. The last firm figures for consumption were for September and these still show considerable demand and for the right goods and services there is plenty of money available. But we doubt whether there will be further large increases in overall consumption during 1984.

On stocks we saw a change in 1983 from destocking to limited restocking, but neither our Manufacturing Trends Survey nor our new Distributive Survey show any intentions to increase stocks in the next few months.

On foreign trade there will be better opportunities in Europe. These together with growth in the American economy and our improved competitiveness will enable us to increase our exports by about four per cent next year. But unless we increase our competitiveness we shall also be vulnerable to more imports.

/On investment

On investment we hope the budget will indicate an increase in public expenditure on the infra-structure which is not being maintained intact, and is increasingly shabby and expensive to operate in. As Tom King told us at NEDDY last week we don't need new reservoirs or purification plants for water in many cases. No less than half the water in one system in the south west never reaches the taps because it leaks out on the way. We want new roads but we need to reconstruct our existing motorways so that they don't have to be repaired every five minutes with the delays that affect us all. The CBI and the Federation of Civil Engineering Contractors have agreed to make a joint study of what we need to do with our infra-structure and at the same time provide more work for the construction industry.

Private house building and renewal grew by seven per cent in 1983 and we would expect this level to be maintained in 1984 but growth over 1983 is doubtful.

Private Service investment increased rapidly in 1983 and it is possible we shall get further growth next year. Manufacturing investment will certainly increase next year. There is improved profitability and liquidity in manufacturing and what we now need is more confidence in sustained growth.

On this issue and summarising overall prospects for 1984 we believe growth will continue but it is likely for the reasons I

/have given

have given to be slow overall. And individual companies can do very well indeed with the right enterprise and products. On the upside there is not much danger of overheating. On the downside there is a possibility that the economy might run out of steam in the second half of next year. We and the Government must do everything we can to avoid that. Our discussions with Ministers give me confidence they will do what is necessary to keep growth moving.

As far as jobs are concerned though, our survey shows net job losses in manufacturing will continue for the next few months, but at a reduced rate. New jobs are being created in the service industries and it may well be that these could begin to outweigh the losses in manufacturing.

Profitability is better, but is still historically low. It is well below the levels in Germany, Japan and America.

Competitiveness is still twenty per cent worse than in the mid seventies, comparing our unit labour cost with that of our principal industrial competitors. Nevertheless: we were fifty five per cent uncompetitive three years ago, so there is a real improvement.

You would find, I think, little difference between the Government and ourselves on this assessment of our situation.

/But if this trend

But if this trend of slow, but sustained growth were to get into trouble, we would most certainly propose actions to Government to help get us back on course.

My personal view is that at this stage of the cycle we ought to be getting a somewhat higher rate of growth than we are currently achieving. I really don't believe this would cause inflation, with all of the unused capacity we have at the present time.

I am sure none of us here want actions now or at any time that will create increased inflation. Looking at our medium and longer run policies I should like to propose to you formally that we establish sustained growth as well as low inflation as joint objectives. Growth has got a bad name in recent years because it was always associated with more inflation. The two don't have to go hand in hand. For example: in the twelve years from 1952 to 1964 growth averaged just over three per cent and inflation just under three per cent per annum. We need to establish the habits and the disciplines to achieve this kind of progress again. Nothing too dramatic, but steady unremitting improvement. Not the bad old stop/go or worse go/stop.

We need steady growth to improve our national lot, provide for some inevitable increases in social and defence spending and cope in a tolerable fashion with the kind of structural change we must make in this country.

/The Chancellor

The Chancellor, Mr Nigel Lawson, said at the Conservative Party Conference at Blackpool that conquest of inflation although essential (quote) "will not on its own give us long term growth which must be an objective over the next five years" (unquote). We are right with him.

We are at the beginning of a new parliament and I know many of you feel a need to consider where we are going in the medium and longer run. So this Conference comes at an interesting and important time. The Chairmen of our Regional Councils and I have agreed we will make this Conference the opening of a more extended discussion of our future policies. That is why what you have to say here can be so useful.

The Regional Chairmen by the way will not be like one of the more sensitive men I once worked for who had a placard behind his desk with a twice life size picture of a gorilla bearing the caption "We welcome your suggestions!" No the chairmen really do want any ideas you have.

If we look at the last four years Government and Business can claim two considerable achievements.

Government has brought inflation down lower than it has been for fifteen years. The slight recoil of the last three months has been due to special year on year factors during the Autumn. There is no need for these factors to create a trend. No one doubts the Government's resolution to keep inflation down and we ourselves can help, for example, in our cost control and our pay settlements. Our trends surveys indicate that cost increases in business will be small in the immediate future. World increases in commodity prices seem to have levelled off and as far as

/intermediate and final

intermediate and final product price increases are concerned these are forecast to be low. Government can claim this reduction in inflation as a real achievement.

Business for its part can be proud of how management has faced up to the recession. We have just published a survey jointly with the BIM called "British Management and the Recession 1983". This makes it clear that although British managers have had a rough time during the recession and are still subject to a great deal of stress and pressure, the vast majority (90%) are optimistic about their companies' ability now to take advantage of future opportunities. Furthermore, the whole tenor of the survey shows that they look to themselves and their companies to find the answers to their current problems more than they call for help from outside, whether from Government or elsewhere. Hard-pressed, realistic about life in a world recession, and counting mainly on themselves for salvation seems a fair summary of managers' views. Above all they believe they have won back the power to manage. I find that encouraging and I'm sure you do too.

Managers lay the greatest emphasis on the needs the survey rather grandly describes as towering mountain-like above all others: profitability and competitiveness. These have been of course our two prime objectives in the CBI for a long time and it is good to see managers now have them so clearly in focus. All in all, this country is lucky to have managers determined and eager to grasp the opportunities of the future.

/But these aren't

But these aren't enough. Low inflation and good management will not necessarily provide more business. Business needs more Business - indeed that could be the sub-title to our main theme: Managing Recovery.

Our past President, Sir John Greenborough used to say, as he put it, in his biblical way, that "now abideth faith, hope and charity, these three, and the greatest of these is ... volume. If we are uncompetitive on direct costs by 20 per cent, and we are, we could quickly swallow this up if we spread our overheads thinner with more volume. This is the way ahead.

The old Scottish song sung by Sir Harry Lauder in this city used to say "You tek the high road and I'll tek the low road ..." but in fact we want to take the middle road with a bit more growth than we are currently getting.

How do we do it?

We need to examine the obstacles to more business and prosperity. Very high on my list, I don't know about yours, would be the excessive share of our national resources that go to the State, into spending not creating wealth. If we are to make progress in pushing back the frontiers of the State it will have to be done early in this parliament. It will be too difficult later on. The Government needs our support on this to cope with some of the necessarily unpopular consequences.

/Our aims in the CBI

Our aims in the CBI are not cash injections or subsidies by the State but a reduction in the burdens the State puts on business. We want lower taxes and lower costs. This is the way to get more business: lower taxes, lower costs, sharper competitive edge, more volume, higher profits, increased investment, leading to more jobs and higher private and social standards of living. This is the message we have to promote.

What we told the Chancellor ten days ago we would like to see in his Autumn Statement was an announcement on National Insurance Contributions. We very much hope that he will not raise the rate that employers have to pay, or the upper earnings limit. Since the Government came to power this limit has been raised by considerably more than was necessary to keep pace either with price or wage inflation. And it has eaten into the savings to business from reducing the Surcharge.

Secondly, we should be very glad if he could announce in his Statement the early removal of the remaining one per cent of that National Insurance Surcharge.

We are grateful to the Government for reducing this tax already by £2,500,000,000 a year and we were delighted to see the Prime Minister refer to it as a "pernicious tax on jobs" in the debate on the Queen's Speech. There is no need for me to rehearse our arguments against it, with you. Everyone here is word perfect on

/it.

it. One more push and it's gone.

We can understand the Government may wish to keep its options open for the next financial year. But we are glad to see press reports suggesting that the Treasury are winning the battle to keep Government spending down to their target. So I hope the Chancellor will have room for what his Red Book calls a "fiscal adjustment". We put the abolition of NIS at the top of the list in that adjustment.

Incidentally, we hope that public expenditure announcements will show that the Government has heard our repeated calls for less spending on current account and more on capital.

On rates we need to support Mr Patrick Jenkin's proposals to cap large rate increases which have been very damaging to business. From all I hear, he will need friends to get this through the Commons and the Lords. If we don't help him we've got no one but ourselves to blame.

Finally, everywhere I go, all over the country, members complain about high interest rates. If the Chancellor were able to get them down this would do more than anything else to improve business confidence and increase the momentum of investment.

/We realise that

We realise that interest rates are not under the Government's control in the same way as tax rates, national insurance contributions and public spending. But the Government has some measure of control.

On monetary aggregates sterling M3 is within the target range; and M nought - not the latest addition to our motorway system, by the way - has been rising more slowly than sterling M3.

One would have hoped that with inflation coming down from twenty five per cent in 1975 and over twenty per cent in 1980 to around five per cent today nominal interest rates would have come down more than they have. And that real interest rates would not be at levels that are both historically high and high in relation to real profitability.

Also the PSBR, which used to be a great albatross round our necks, has come down from ten per cent of GDP in 1975 and five-and-a-half per cent in 1980 to three per cent or under today. It is now at a lower percentage than in any other main industrial country, including Germany and Japan. But, in spite of this, interest rates paid by business here are nearly forty per cent higher than in Germany and they are over eighty per cent higher than in Japan. Some progress has been made since 1980 when prime borrowers were paying 20 per cent, but we have a long way to go

/to become competitive

to become competitive with Germany and Japan. Business here can only be competitive with the best in the world if we have an economic environment which is as favourable as the best in the world.

We believe there is scope for some limited decoupling of our interest rates from those in America without causing problems for the pound and we should gradually but determinedly, nudge our interest rates down. If the result of getting the PSBR down to much lower levels than our competitors is not to get interest rates down, we might conclude these levels of PSBR are too restrictionary.

There are also a number of measures to reduce tax that will be discussed later today and I won't detail them now, but they are important.

These then are some of the things we want from Government to remove obstacles to growth. You will undoubtedly have others you will raise today and tomorrow.

But we ourselves can promote growth. Wage increases need to be lower and productivity improvements higher than our overseas competitors if we are to win back some of our home market and increase our exports.

/Further reductions

Further reductions in overheads is continuing apace in many firms; so is investment to cut costs.

On product, design, marketing, quality, delivery, and involvement of people our booklet "Working For Customers" is in your conference pack. It should become the free enterprise equivalent of Chairman Mao's Little Red Book. The Prime Minister saw me last week. She had read it, very much supports what it says and commends it to you all. But it will only work if you and your people put its precepts into practice. There is a check list on the last two pages of the book.

We must improve our investment in people. The Youth Training Scheme has had magnificent support from employers at a very difficult time, but we now have to address ourselves to skill training and in service training, because if we don't we won't have the people when we need them. Its no use thinking we can just go out and buy them when we want them. They won't be there. We have to spend more money and time on training now to be ready for a better future.

As far as the European Community is concerned, after the last election even the doubters must concede that we are now a part of the Community. So we must make it work better.

In conclusion - we now have forward momentum. Inflation is down. Management is more confident about its effectiveness. There is

/some growth

some growth. Wage settlements are down. Productivity is up. Our profits are better and liquidity is improved. We are investing more and export prospects look more promising.

Don't misunderstand me. We are not exactly ecstatic. It's going to continue to be a hard slog, but things are getting better and we can make them better still. We must foster this and sharpen our perceptions on the opportunities about us. We need to cultivate expectations of an improvement we can help to bring about.

I would like to suggest to you that in our debates on many different subjects during the next two days we try to encourage those elements that will contribute to sustained growth. Then in a real sense then we shall have made the theme of the Conference - Managing Recovery - a reality.

Rs

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332
Telegrams Cobustry London WC1

CBI
CONFEDERATION OF BRITISH INDUSTRY

With
Sir Campbell Frasers's
Compliments

PRESIDENT'S CLOSING SPEECH

CBI NATIONAL CONFERENCE, GLASGOW

One delegate, who doesn't even admit to a Scottish grandmother, says he now accepts that the Scots are the most remarkable race on earth. Well, some of us had suspected that. The reason, he went on, is that no other nation has citizens who would spend £100 on a return air fare to London to get a free dinner.

The other lesson I hope he learned - and it's even more relevant to the theme of our Conference - is the superb effort that a group of Scots put in to get us here: the members and staff of the CBI in Scotland, the City of Glasgow and its energetic Lord Provost, the Strathclyde Regional Council and the Scottish Tourist Board. As the saying is they put their money up front to attract us. They left no stone unwashed so that Glasgow would look its best - and at its best it looks good. They provided this setting. They've laid on transport and entertainment and services generously and helpfully - and even a bomb-scare. They've made us feel at home, and I'm not surprised at that because it's Glasgow's way. For all they've done I want to thank them on your behalf.

Of course, there was something in it for Glasgow beyond the additional £200,000 we bring in trade. They want to improve Glasgow's reputation, and get Glasgow seen as a worthy Conference Centre. And they've gone about it the right way. They researched the market carefully, they made their product attractive, and they sold it hard. Long may they flourish - which as you now know - gets decently close to Glasgow's own motto.

//Put bluntly,

Put bluntly, they did immaculately well what we in British industry are always being asked to do - to get off our butts, get on our bikes, and improve our share of the world's market. As a nation we haven't been sufficiently successful at that. I say "as a nation" because the need to be more competitive doesn't just apply to those of us in industry and commerce, but to all of us, whatever we do.

Part of our problem in the 1980s is that we wouldn't have launched our rebirth from here if we had had a choice. We still had the horrors of the 1970s to contend with. In a decade, orders for British shipbuilding fell by 90%, orders for British machine tools fell by 70%, orders for British engineering fell by 30%, orders for British steel fell by half. So did orders for British cars until that glint of Alamein for the car makers this year.

All of us who sell components and services to these industries have had to live with similar strains, at the same time trying to correct past weaknesses, yet recognising the need to pursue new technologies - all in a more open economy than any of us had known.

Inevitably this has involved the pain of taking thankless decisions, closing or selling some businesses to keep others alive, slimming operations where it had been thought normal that seven Britons should do the job done by four Americans, or three Japanese, or even by four South Koreans at half British wages. Even lifting the roof off to keep the rate bill down!

//So not every

So not every firm has made it, and there are great gaps in the industrial jig-saw, a danger of which we are all very conscious because the spaces will be filled by imports, and import penetration is too high already. In a large sophisticated industrial economy - and Britain after all is the fifth largest economy in the western world - there are industries we can't comfortably do without. They don't have to be glamorous or well-known. They just have to exist. How is it possible that a heater manufacturer has to import copper tubing? Or interior heating systems by the National Bus Company for their coaches? Needless to say, these examples come from the recent 'Can You Make It?' exhibition.

Of course there have been substantial improvements in efficiency, not least by changes in long-encrusted working practices. The realisation that flexibility is the key to success - because constant change is the name of the game - bears witness to new attitudes among us all. In that respect it's worth saying - and with some force - they are to be found among the management just as much as they are on the shop floor.

Often enough this flexibility has kept jobs in being. So there have been days of private satisfaction at jobs saved from the burning, as well as hidden anguish at jobs lost.

For unemployment is the worst of it. Be damned with the conventional wisdom that the country will only know high levels of unemployment until the end of the decade. Who stays in the dole queue? Your son? Your daughter? The calm acceptance of more than three million people out of work just isn't good enough. Other countries have gone through the recession, too, and only Belgium has a higher rate of unemployment than we have.

//It would have been

It would have been encouraging if one result of the pain had been a rise in our share of world markets. But that isn't the case yet. The figures are depressingly simple. Twenty years ago we had 16% of the world trade in manufacture; today it is 8%. What is even more surprising, because it is unexpected, is that our share in the service industries has fallen by almost the same amount over the period. It would take remarkable complacency, which would be ill-tuned to our circumstances, not to recognise what this means: we are nothing like as competitive as we should be.

Or can be. We have clawed our way back up the league of competition in the last two years. But we have to get into the habit of wanting to do better every year, because that is the nature of the world in which we live. Competition isn't a fast sprint. It's a long-lasting marathon, but one in which the lead can change. At the moment the Japanese are concerned because what they call the "youthful four" - South Korea, Taiwan, Singapore and Hong Kong - are breathing down their necks.

What we cannot do is stand still. A nation that opts for the status quo is in real trouble. That has been part of our problem. Too many of us expected to do the same job all of our working lives. For once I have no trouble with the conventional wisdom that training and retraining are an absolute requirement for us, and I believe we are getting that message. The Youth Training Scheme, which has done well and will improve, should be a first step towards that. But the message is for us all, not just the young. In this city, just round the corner from this building, there was a time when the nights were full of young men and women hurrying to night school at the Royal Technical College. Now we should be queuing up to take computer courses, and not least those of us who only know the slide rule. We really do have to accept change, and enjoy change, as a desirable companion.

//By all accounts

Bu all accounts, by your accounts, we have come to recognise that in a very short period of time. In that case we could be at the start of something big. And there is so much to do. Apart from making sure that we have our silicon valleys - or silicon glens if you prefer - apart from the need to keep improving our general efficiency, we also have to build back a better balance into our industrial structure to fill a few of those gaps I've mentioned. Our emphasis can once again be an opportunity, even at a time when some parts of the nation feel like the walking wounded.

But, as Terry Beckett said, the thing that would help is a bit more growth. We do need that to provide the seed corn of profits and investment for the future.

In this country the CBI has sought and will continue to seek additional expenditure on the infrastructure. At one of our meetings I was taken to task when I said that the nation's sewers needed extensive repairing or rebuilding. Only in the north west, said a knowledgeable CBI member. In that case, sewers in the North West. But what about water mains here in Glasgow? Last week a major water main burst in George Street - not 100 yards from this hall - and surrounded it, for a time, in a sea of water and a sizeable traffic jam. The water system in Glasgow is more than 120 years old and is obviously in need of extensive modernisation.

//An extension of

An extension of our motorway system, particularly to provide a much-needed link from the Midlands to the Anglian ports which have become our gateway to European markets, could stimulate both demand and supply with the minimum of inflationary consequences.

These capital projects can be of great relevance to the success of British industry in cutting business costs, encouraging economic growth and reducing unemployment. At this stage of our recovery they are paramount. They should have the highest possible priority in our spending.

There is something else our Government might do and I believe wants to do: to breathe life into the European Community which is up a blind alley without a white stick! Now is the moment to promote an initiative that would return the Community to its original concept of a free-flowing vigorous market, and take its mind off social legislation, like Vredeling, which may be well-intentioned but has the effect of slowing business down rather than hurrying it along.

Of course, many of us are ambivalent about the common market. In hard times our thoughts, too, turn to protection from our own Government. But, as it happens, the one voice at the moment which is seeking reform in the Community belongs to Europe's confederation of industries. It is asking that there should be a single Company law to allow successful cross-frontier mergers to take place; anti-trust legislation which acknowledges that the world is one market; common accounting principles that make comparisons between companies more accurate and more fair; less hidden protection by Governments.

//On that last point,

On that last point, the CBI from time to time tries to measure how much aid the Governments of the Community give their industries. One recent comparison indicated that the Italian Government provides proportionately more than our Government. You would probably have expected that. The same comparison showed that the French Government gave comparatively less. Perhaps it was a Frenchman, rather than Mark Twain, who talked of lies, damned lies, and statistics.

But there is one thing we are all now aware of. There are limits to what any one Government can do to improve the world economic condition. There is a need for joint action. So I say: remember Williamsburg. Just in case anyone has forgotten, the statement from the Heads of Government made at the conclusion of that Conference said: "Our discussions here at Williamsburg give us a new confidence in the prospect of a recovery. We have strengthened our resolve to deal co-operatively with continuing problems, so as to promote a sound and sustained recovery, bringing new jobs and a better life for the people of our own countries and of the world".

That is certainly what the world needs. It is full of unused resources and empty stomachs. A bit more growth could do wonders for world trade which in itself has done so much to promote and sustain the prosperity of the world in the better post war years.

Yet, it has to be admitted; we want it the hard way. As I said last year we are in favour of growth, we do not favour inflation. Inflation is the great temptation. Some say just a little more won't do us any harm, with indexation to take care of the poor, or the saver or the pensioner. But it never does, and I don't believe it ever will. Which makes it more imperative than ever that the solution to the paradox is quickly found. Otherwise we shall over-gorge again and again and require a purgative just as often. There must be a more

/sensible approach.

sensible approach. Surely it's low inflation and steady growth in the right ways.

Scotland provides a good example of growth in the right way. I don't think that Scottish people would regard their present condition as anything other than thoroughly unsatisfactory with rather more than the national average out of work. So it may come as a shock to my fellow Scots that there are other areas of Britain which look at us longingly, not to say enviously.

These are the areas in which seemingly indestructible industries proved fallible to recession and competition, and where it is recognised that restructuring on a massive scale is required. Scotland came to that conclusion sooner, because it had to. The old basic industries had been failing for a long time when the Scottish Council, especially in the years after the war, set out to attract new skills and technologies to Scotland. The effort was persistent and determined, and very often successful. It was a superb example of self help, still being carried on, aided by the more recent work of the Scottish Development Agency.

Anything of this kind is a long slog. I had thought from what he said on one occasion yesterday morning that Terry was going to sing a verse and chorus from the Bonnie Banks of Loch Lomond to show that what's needed isn't the high road to excess, or the low road to failure; but the road that brings you where you want to be. Indeed, there is another song that Harry Lauder sang - on reflection there were very few songs of his time that he didn't sing - which is perhaps even more appropriate to a Conference which has Managing Recovery as its theme. I said to my family that I was prepared to sing it. They said they would rather I didn't.

//Anyway, whether it's

Anyway, whether it's sung or not doesn't matter. It's the title that's important. Keep Right on to the End of the Road. In its slightly maudlin way it faces up to the reality of life's persisting perplexities, but it makes the point that the proper response is to stick with it. To keep going. To keep going with a strong heart and an optimistic mind.

But there's even more to it than that. We know, inside ourselves, for all the difficulties we're going through, that we are on the right road. For the first time in a very long time, we're heading in the right direction.

Now we have a better chance to improve our reputation, our position in the world, our standard of living. Other people, other groups - Government, the schools and universities, the trade unions - have their part to play, but at the end of the day the responsibility for what happens rests with us. Remember, as you return to your companies, the sparkling example that the people of this City have set you - with the firm resolve that you can do even better.

vc Press Office

PRESIDENT'S CLOSING SPEECH

CBI NATIONAL CONFERENCE, GLASGOW

One delegate, who doesn't even admit to a Scottish grandmother, says he now accepts that the Scots are the most remarkable race on earth. Well, some of us had suspected that. The reason, he went on, is that no other nation has citizens who would spend £100 on a return air fare to London to get a free dinner.

The other lesson I hope he learned - and it's even more relevant to the theme of our Conference - is the superb effort that a group of Scots put in to get us here: the members and staff of the CBI in Scotland, the City of Glasgow and its energetic Lord Provost, the Strathclyde Regional Council and the Scottish Tourist Board. As the saying is they put their money up front to attract us. They left no stone unwashed so that Glasgow would look its best - and at its best it looks good. They provided this setting. They've laid on transport and entertainment and services generously and helpfully - and even a bomb-scare. They've made us feel at home, and I'm not surprised at that because it's Glasgow's way. For all they've done I want to thank them on your behalf.

Of course, there was something in it for Glasgow beyond the additional £200,000 we bring in trade. They want to improve Glasgow's reputation, and get Glasgow seen as a worthy Conference Centre. And they've gone about it the right way. They researched the market carefully, they made their product attractive, and they sold it hard. Long may they flourish - which as you now know - gets decently close to Glasgow's own motto.

//Put bluntly,

Put bluntly, they did immaculately well what we in British industry are always being asked to do - to get off our butts, get on our bikes, and improve our share of the world's market. As a nation we haven't been sufficiently successful at that. I say "as a nation" because the need to be more competitive doesn't just apply to those of us in industry and commerce, but to all of us, whatever we do.

Part of our problem in the 1980s is that we wouldn't have launched our rebirth from here if we had had a choice. We still had the horrors of the 1970s to contend with. In a decade, orders for British shipbuilding fell by 90%, orders for British machine tools fell by 70%, orders for British engineering fell by 30%, orders for British steel fell by half. So did orders for British cars until that glint of Alamein for the car makers this year.

All of us who sell components and services to these industries have had to live with similar strains, at the same time trying to correct past weaknesses, yet recognising the need to pursue new technologies - all in a more open economy than any of us had known.

Inevitably this has involved the pain of taking thankless decisions, closing or selling some businesses to keep others alive, slimming operations where it had been thought normal that seven Britons should do the job done by four Americans, or three Japanese, or even by four South Koreans at half British wages. Even lifting the roof off to keep the rate bill down!

//So not every

So not every firm has made it, and there are great gaps in the industrial jig-saw, a danger of which we are all very conscious because the spaces will be filled by imports, and import penetration is too high already. In a large sophisticated industrial economy - and Britain after all is the fifth largest economy in the western world - there are industries we can't comfortably do without. They don't have to be glamorous or well-known. They just have to exist. How is it possible that a heater manufacturer has to import copper tubing? Or interior heating systems by the National Bus Company for their coaches? Needless to say, these examples come from the recent 'Can You Make It?' exhibition.

Of course there have been substantial improvements in efficiency, not least by changes in long-encrusted working practices. The realisation that flexibility is the key to success - because constant change is the name of the game - bears witness to new attitudes among us all. In that respect it's worth saying - and with some force - they are to be found among the management just as much as they are on the shop floor.

Often enough this flexibility has kept jobs in being. So there have been days of private satisfaction at jobs saved from the burning, as well as hidden anguish at jobs lost.

For unemployment is the worst of it. Be damned with the conventional wisdom that the country will only know high levels of unemployment until the end of the decade. Who stays in the dole queue? Your son? Your daughter? The calm acceptance of more than three million people out of work just isn't good enough. Other countries have gone through the recession, too, and only Belgium has a higher rate of unemployment than we have.

//It would have been

It would have been encouraging if one result of the pain had been a rise in our share of world markets. But that isn't the case yet. The figures are depressingly simple. Twenty years ago we had 16% of the world trade in manufacture; today it is 8%. What is even more surprising, because it is unexpected, is that our share in the service industries has fallen by almost the same amount over the period. It would take remarkable complacency, which would be ill-tuned to our circumstances, not to recognise what this means: we are nothing like as competitive as we should be.

Or can be. We have clawed our way back up the league of competition in the last two years. But we have to get into the habit of wanting to do better every year, because that is the nature of the world in which we live. Competition isn't a fast sprint. It's a long-lasting marathon, but one in which the lead can change. At the moment the Japanese are concerned because what they call the "youthful four" - South Korea, Taiwan, Singapore and Hong Kong - are breathing down their necks.

What we cannot do is stand still. A nation that opts for the status quo is in real trouble. That has been part of our problem. Too many of us expected to do the same job all of our working lives. For once I have no trouble with the conventional wisdom that training and retraining are an absolute requirement for us, and I believe we are getting that message. The Youth Training Scheme, which has done well and will improve, should be a first step towards that. But the message is for us all, not just the young. In this city, just round the corner from this building, there was a time when the nights were full of young men and women hurrying to night school at the Royal Technical College. Now we should be queuing up to take computer courses, and not least those of us who only know the slide rule. We really do have to accept change, and enjoy change, as a desirable companion.

//By all accounts

Bu all accounts, by your accounts, we have come to recognise that in a very short period of time. In that case we could be at the start of something big. And there is so much to do. Apart from making sure that we have our silicon valleys - or silicon glens if you prefer - apart from the need to keep improving our general efficiency, we also have to build back a better balance into our industrial structure to fill a few of those gaps I've mentioned. Our emphasis can once again be an opportunity, even at a time when some parts of the nation feel like the walking wounded.

But, as Terry Beckett said, the thing that would help is a bit more growth. We do need that to provide the seed corn of profits and investment for the future.

In this country the CBI has sought and will continue to seek additional expenditure on the infrastructure. At one of our meetings I was taken to task when I said that the nation's sewers needed extensive repairing or rebuilding. Only in the north west, said a knowledgeable CBI member. In that case, sewers in the North West. But what about water mains here in Glasgow? Last week a major water main burst in George Street - not 100 yards from this hall - and surrounded it, for a time, in a sea of water and a sizeable traffic jam. The water system in Glasgow is more than 120 years old and is obviously in need of extensive modernisation.

//An extension of

An extension of our motorway system, particularly to provide a much-needed link from the Midlands to the Anglian ports which have become our gateway to European markets, could stimulate both demand and supply with the minimum of inflationary consequences.

These capital projects can be of great relevance to the success of British industry in cutting business costs, encouraging economic growth and reducing unemployment. At this stage of our recovery they are paramount. They should have the highest possible priority in our spending.

There is something else our Government might do and I believe wants to do: to breathe life into the European Community which is up a blind alley without a white stick! Now is the moment to promote an initiative that would return the Community to its original concept of a free-flowing vigorous market, and take its mind off social legislation, like Vredeling, which may be well-intentioned but has the effect of slowing business down rather than hurrying it along.

Of course, many of us are ambivalent about the common market. In hard times our thoughts, too, turn to protection from our own Government. But, as it happens, the one voice at the moment which is seeking reform in the Community belongs to Europe's confederation of industries. It is asking that there should be a single Company law to allow successful cross-frontier mergers to take place; anti-trust legislation which acknowledges that the world is one market; common accounting principles that make comparisons between companies more accurate and more fair; less hidden protection by Governments.

//On that last point,

On that last point, the CBI from time to time tries to measure how much aid the Governments of the Community give their industries. One recent comparison indicated that the Italian Government provides proportionately more than our Government. You would probably have expected that. The same comparison showed that the French Government gave comparatively less. Perhaps it was a Frenchman, rather than Mark Twain, who talked of lies, damned lies, and statistics.

But there is one thing we are all now aware of. There are limits to what any one Government can do to improve the world economic condition. There is a need for joint action. So I say: remember Williamsburg. Just in case anyone has forgotten, the statement from the Heads of Government made at the conclusion of that Conference said: "Our discussions here at Williamsburg give us a new confidence in the prospect of a recovery. We have strengthened our resolve to deal co-operatively with continuing problems, so as to promote a sound and sustained recovery, bringing new jobs and a better life for the people of our own countries and of the world".

That is certainly what the world needs. It is full of unused resources and empty stomachs. A bit more growth could do wonders for world trade which in itself has done so much to promote and sustain the prosperity of the world in the better post war years.

Yet, it has to be admitted; we want it the hard way. As I said last year we are in favour of growth, we do not favour inflation. Inflation is the great temptation. Some say just a little more won't do us any harm, with indexation to take care of the poor, or the saver or the pensioner. But it never does, and I don't believe it ever will. Which makes it more imperative than ever that the solution to the paradox is quickly found. Otherwise we shall over-gorge again and again and require a purgative just as often. There must be a more

/sensible approach.

sensible approach. Surely it's low inflation and steady growth in the right ways.

Scotland provides a good example of growth in the right way. I don't think that Scottish people would regard their present condition as anything other than thoroughly unsatisfactory with rather more than the national average out of work. So it may come as a shock to my fellow Scots that there are other areas of Britain which look at us longingly, not to say enviously.

These are the areas in which seemingly indestructible industries proved fallible to recession and competition, and where it is recognised that restructuring on a massive scale is required. Scotland came to that conclusion sooner, because it had to. The old basic industries had been failing for a long time when the Scottish Council, especially in the years after the war, set out to attract new skills and technologies to Scotland. The effort was persistent and determined, and very often successful. It was a superb example of self help, still being carried on, aided by the more recent work of the Scottish Development Agency.

Anything of this kind is a long slog. I had thought from what he said on one occasion yesterday morning that Terry was going to sing a verse and chorus from the Bonnie Banks of Loch Lomond to show that what's needed isn't the high road to excess, or the low road to failure; but the road that brings you where you want to be. Indeed, there is another song that Harry Lauder sang - on reflection there were very few songs of his time that he didn't sing - which is perhaps even more appropriate to a Conference which has Managing Recovery as its theme. I said to my family that I was prepared to sing it. They said they would rather I didn't.

//Anyway, whether it's

Anyway, whether it's sung or not doesn't matter. It's the title that's important. Keep Right on to the End of the Road. In its slightly maudlin way it faces up to the reality of life's persisting perplexities, but it makes the point that the proper response is to stick with it. To keep going. To keep going with a strong heart and an optimistic mind.

But there's even more to it than that. We know, inside ourselves, for all the difficulties we're going through, that we are on the right road. For the first time in a very long time, we're heading in the right direction.

Now we have a better chance to improve our reputation, our position in the world, our standard of living. Other people, other groups - Government, the schools and universities, the trade unions - have their part to play, but at the end of the day the responsibility for what happens rests with us. Remember, as you return to your companies, the sparkling example that the people of this City have set you - with the firm resolve that you can do even better.

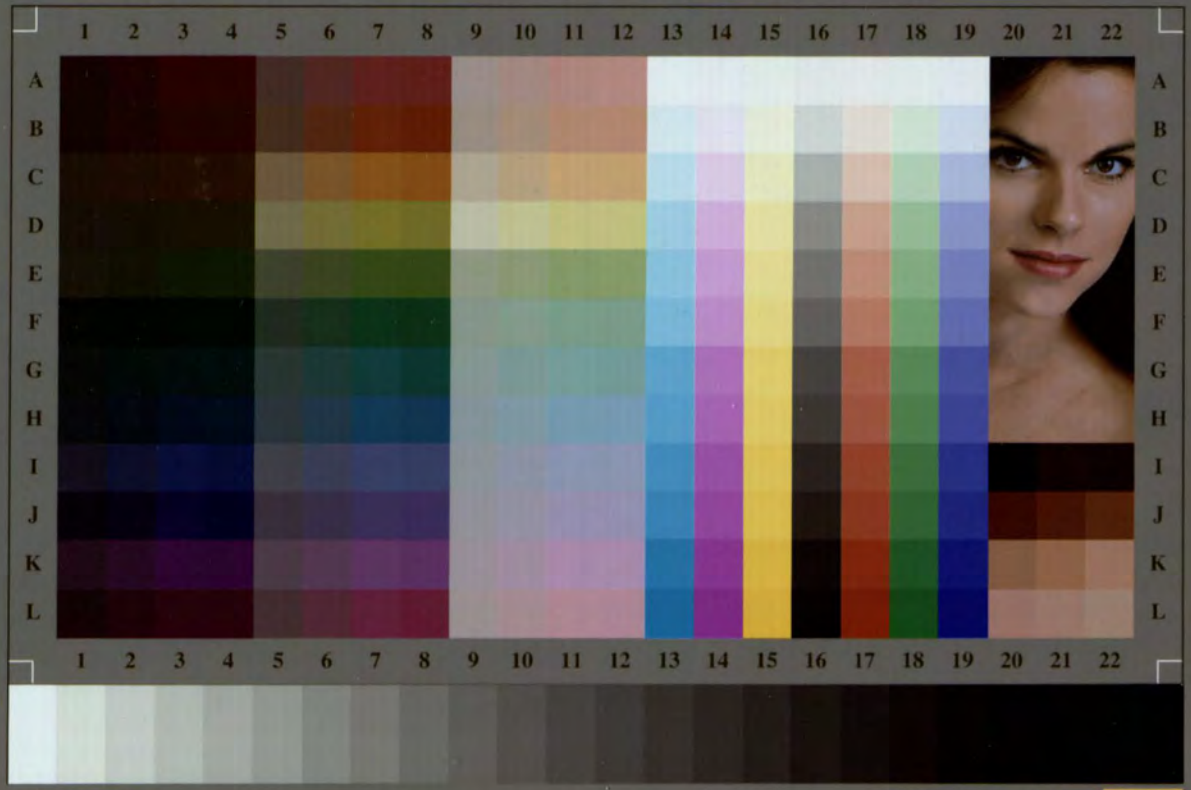
PART 3 ends:-

FERB to John Caff 20.10.83

PART 4 begins:-

Sir Terence Beckett + att speeches to PM

8.11.83


KODAK Q-60 Color Input Target
C M Y
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
A B C D E F G H I J K L
IT8.7/2-1993
2007:03
FTP://FTP.KODAK.COM/GASTDS/Q60DATA
Q-60R2 Target for
KODAK
Professional Papers
Kodak