

PRIME MINISTER'S MEETING WITH CBI REPRESENTATIVESTIME : 15.45-17.00DATE : MONDAY 9 JULY 1979PRESENT:

Prime Minister Secretary of State:	Industry Employment Trade	Sir John Greenborough President, CBI Sir Adrian Cadbury Chairman, CBI Economic & Financial Policy Committee Mr Fiennes Cornwallis Chairman, CBI Smaller Firms Council Sir Francis Tombs, Chairman, Nationalised Industries Chairmen's Group Mr H A Whittall Chairman, CBI Employment Committee Sir John Methven Director General CBI Sir Donald MacDougall Chief Economic Adviser, CBI Mr Richard Dixon Director of Social Affairs, CBI
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The meeting had been rather wider-ranging than that with the TUC. The CBI representatives had done most of the talking and had focussed on two main areas:

- 1) The exchange rate and competitiveness, high interest rates and exchange controls.
- 2) The "pay scene".

Topic (1) had occupied roughly twice as much time as topic (2).

The Prime Minister had listened rather more than she had talked, but she had thanked the CBI for their broad support of the Government's Budget strategy - she was encouraged by this. Among the points made by the CBI were:

They were concerned at the problems facing small firms; they intended to initiate a major debate on pay, both at their Annual Conference and at two special conferences they were arranging for later this month and August.

They hoped the Government would continue to contribute to the public debate on pay (the Prime Minister referred to her Cambridge speech at this point).

The CBI seemed to accept that they would probably have to live with the high rate of sterling for

some time, but they looked forward to a relaxation of exchange controls.

It was agreed that meetings like this could be repeated "from time to time" without any specific interval being set. The next such meeting would probably take place in the Autumn, but the Prime Minister expressed willingness to have a meeting before then should a particular point arise.

Among the points the CBI did not raise or discuss were:

- The pay freeze/norm
- A possible recession
- Perks

The Prime Minister said she was, of course, concerned for small businesses. The Chancellor of the Exchequer could give no undertaking on MLR. Exchange controls could not, the Prime Minister said, be removed precipitately. The Government's contribution to the pay debate would come in speeches from her ministerial colleagues.