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PRIME MINISTER

Banking file

cc:- Mr Lankester

CBI SPEECH

The Department of Industry have provided a draft text for your speech to the CBI on 16 June, which we are to discuss tomorrow morning.

In addition to the themes developed in the DOI's draft, I think we might consider some of the following:-

1. It would greatly help the impact of the speech if there was an announcement to be made; I wonder if a decision on the improvements to the Business Opportunities Programme could be delayed until 16 June?
2. I think what you say about the Government's attitude to the current inflation rate is crucial. The DOI draft suggests that 12% is "not far enough down", whereas I think we ought to say quite clearly that our sights are set very much lower even than the 8% forecast for next year. Alan Walters has suggested that we should say our aim is zero inflation, and points out that the price level in 1935 was lower than it was in 1815.
3. Alan Walters also suggests we ought to say something about competition as the framework for our industrial strategy, and that some interesting and exciting examples could be produced.
4. I think we could poke a bit of fun at the CBI over their complaints over the exchange rates, interest rates, industrial support etc; the point being that industry will never be satisfied whatever the economic environment created for them.
5. When it comes to looking to the future - and there are a couple of quite good paragraphs in the DOI draft, 9 and 10 - I think it would be helpful to stress the long term nature of our time horizons; restoring competitiveness and establishing ~~new~~ new enterprises are processes that will take much longer than a few years. We could try looking ahead to the end of the century, and some of the technological developments.

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expected by then (e.g. full artificial vision and so on).

6. The present draft says nothing about trade union reform. Although it would be too early to comment on the submissions received on the Green Paper, the Policy Unit suggest it could be helpful to establish the issue of trade union reform as one about which there should be wide public concern, but which the Government approaches without particular preconceptions, the aim being to achieve a better balance of bargaining power.

7. We could mould a section around the theme of the responsibilities of employers, provided we get the tone right; that would cover, for instance, the obligation to make a profit (keep pay rises low), the obligation to maintain good employee relations, and the obligation to improve productivity (i.e. new technology).

L. M. M. VEREKER

1 June, 1981