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Wednesday next  
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PRIME MINISTER

GOVERNMENT STRATEGY

At your meeting of 18 June to discuss John Hoskyns' paper on Government strategy, you asked me to let you have a list of my ideas of areas where action could be taken to relieve constraints on the supply side of the economy.

The principal constraint on improving the competitiveness of British industry is undoubtedly the attitudes of management and unions. The lack of entrepreneurial spirit among the former, particularly in large companies, and the restrictive attitudes of many of the latter must be major factors in our inability to harness the latest technology, to improve productivity, and to seek out new markets for our products. Such attitudes are the product of history, culture, social structure and previous Government policy and will not, as we discussed, be changed overnight.

British industry is also very production rather than marketing oriented. The tax reductions in the budget removed some of the disincentives to enterprise, but they will not be enough on their own. Similarly our intention to reverse the growth of the monopoly power of the unions will take time.

In the list attached (which can, of course be extended almost indefinitely), I have therefore concentrated on some areas of Government action which appear to me to have an impact on our industrial performance. I am not suggesting that action can or should be taken on all of these problems but on most I think we are clear about the direction in which we propose to move.

CONFIDENTIAL



I have seen a copy of John Hoskyns' subsequent letter of 19 June to William Whitelaw which asked us to add to the list the names of possible outside speakers who could put across our message this summer. I think we should continue to court the Conservative Trades Unionists - and you might consider asking them to a drinks party at No 10. If it became fashionable to join the CTU, the right sort of speakers might emerge from this nursery. We need to show that government Ministers are interested in their views. People like Lord Robens and George Brown are not likely to carry much credibility with the new generation of trade unionists. Obviously the primary responsibility must fall on Ministers themselves to continue to maintain the support of the large proportion of trade union members who voted for us at the election. I think this will be achieved by firm actions rather than fine words. As far as outside speakers are concerned, I am reminded that while in Opposition we in fact compiled a list of supporters who were prepared to take an active part in putting across our case. I suspect that they feel somewhat neglected at the moment and it might be a good idea if John Hoskyns were to liaise with Research Department who were, I believe, the repository of that list.

I am sending a copy of this minute to the Chancellor of the Exchequer and the Secretaries of State for Industry, Energy, Employment and the Environment, the Lord President, Sir John Hunt, Sir Kenneth Berrill and John Hoskyns.

*T.ables*

1 Victoria Street  
LONDON SW1  
22 June 1979

JOHN NOTT  
(Approved by the Secretary of State  
and signed in his absence)



## LIST OF SUPPLY CONSTRAINTS

### LABOUR

#### (a) Housing:

- Immobility created by Council Housing system
- Rent Acts and tenant security
- Housing (Homeless) Persons Act 1976

#### (b) Employment:

- Employment Protection Act etc
- ACAS etc which make it easier for Unions to establish themselves in new firms (Unions = declining productivity)
- Closed shop legislation

#### (c) Skilled Labour

- Improved technical training and re-training for school leavers and adults. (Whole area of apprenticeship needs looking at and made more attractive)
- Effects of income policies/improved differentials
- Levels of income tax

### CAPITAL

- Need for a strong and effective competition policy
- Need for further relaxation of exchange controls
- Company taxation
- Effects of regional policy in preventing natural expansion and fragmenting industrial development
- Removal of the present need for separate application procedures for Industrial Estates, Corporations and Investment Grants
- Undue obligations and burdens on small firms



#### LAND

- Land Commission
- Land Taxation
- Public Sector Land Holdings (eg London Docklands)
- Extended Planning Procedures
- Building Regulations generally
- Inadequate supply of suitable premises and sites (particularly for small firms)

#### TECHNOLOGY

- Monopoly power of nationalised industries (eg supply of power, telephones, etc)
- Arbitrary technical standards by nationalised industries (eg nuclear power, telecommunications).