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Phone: 01-222 0151/8
01-222 9000

Conservative Central
Office.
32 Smith Square,
London SW1P 3HH

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Release Time:

RT HON WILLIAM WHITELAW MP

20.00 Hours / FRIDAY
6th MAY, 1983

307/83

Extract from a speech by the Rt Hon William Whitelaw CH MC MP, (Penrith and the Border), to the Cumbrian branch of the British Institute of Management at the Derwentside, Portinscale, Nr Keswick, on Friday 6th May 1983.

It is frequently thought, especially in relation to the nationalised industries, that the Government can in some way tell management how to run companies. Nothing could be further from a Government's responsibilities; its role is to provide an economic climate in which businesses can flourish, and management can get on with their job without unnecessary interference. Indeed, there has been a great improvement in the efficiency of the civil service as a result of what has been learnt by Government about good management in industry.

Management has a vital role to play in the creation of prosperity and jobs. Within this context, the Government has done a great deal to remove obstacles and create the conditions for real business progress. In 1979 inflation was rising, restrictive working practices and spiralling wage demands were undermining competitiveness, and punitive taxation was driving much of our best management talent abroad. It was a situation in which there was very little incentive for anyone to start out in business.

One of the first acts of the Government was to reduce the highest level of taxation from 83% to 60% - far more in line with our European competitors. Senior management needs a proper incentive, and the old rate actively discouraged people from remaining in this country. We have tackled the

menace of inflation, now down to 4.6%, its lowest level for 15 years. With this progress, we must now seek to reduce interest rates further - a cornerstone of industrial recovery. Any economic policy which allows inflation to soar will destroy any prospect of interest rates falling - and that will prevent any expansion of industry and the creation of new jobs that would go with it.

It is a simple truth that confidence in the economy leads to confidence in management decisions. The Government cannot force the hand of the decision maker, but it can increase confidence - and that is exactly what this Government set out to do. The latest CBI survey shows that success is becoming apparent.

But there are still problems. With 3.5 million people unemployed, the vital importance of successful management in creating jobs cannot be underestimated. The role of the Government in this field stems from a recognition that new jobs will not come in sufficient numbers from big nationalised industries, but from the expansion and success of small firms and the setting-up of new businesses. Rather than provide larger and larger sums of taxpayers' money subsidising the losses of nationalised industries, it was clearly better to provide those firms with good management to tackle their problems and make them more economically viable, and spend the money saved in schemes designed to help smaller firms.

Under this Government, help for small firms has been extensive. Over 100 measures have been introduced, and many bureaucratic controls and regulations which impeded them have been removed. The Loan Guarantee Scheme and the Business Expansion Scheme have both been very effective; in the last Budget, Sir Geoffrey Howe was able to provide more money for both. There are Government advisory services for those who wish to start their own businesses, and, with the Enterprise Allowance, a Scheme to assist those who have lost their jobs who have good business ideas, to put them into practice.

There are other areas in which Government can help management. Michael Heseltine and now Tom King at the Department of the Environment have been very successful in highlighting the importance of controlling local government expenditure and consequently rates. The burden of rates for some businesses in Labour-controlled areas has been so great that they have been forced to either close down or move.

This highlights the main way in which Government can really assist management in industry - by financial responsibility. There is a duty to all taxpayers, which includes businesses, to ensure that all Government expenditure achieves value for money and that while spending money in one area it does not, as a result, cause problems in another. If the cutting out of Government waste can save enough money, for example, to enable taxation to be reduced or to fund additional assistance to industry, then any responsible Government should seek to do that.

End.