

PRIME MINISTER

MEETING WITH SIR TREVOR HOLDSWORTH 23 JANUARY

You are seeing Trevor Holdsworth for half an hour tomorrow morning. The meeting is at his initiative; he telephoned me a couple of days after the Plowden Group dinner to say he thought the discussion then about wages/inflation had perhaps not been as full as it might have been, and that he would like a further word with you about this. What he really means is that his performance at the dinner was ineffectual, and he wants the chance for another go.

I have agreed with him that this will be a private meeting, hopefully without any publicity, and that he will come alone.

You will want to consider whether to give him the chance to have his say first. But you will want to emphasise to him the line you have already made clear in the House; there is nothing wrong with high wages as such, but the problem is high and rising wage costs.

I am enclosing notes you have already seen for Questions purposes. For most of the countries the figures in the table do not go beyond 1989 Q2, but it is clear the UK started to run way ahead of the others in Q3; and our latest figures for the three months to November 1989 continue to show an annual growth of 5.6 per cent.

I also enclose last Thursday's Times article by John Banham, CBI Director General. He too defines wage costs as the potential problem. But he implies that they have not thus far become an actual problem; whereas in fact they have. It may be that Ford or any other individual employer feels they can afford a high wage increase because of high productivity growth. But in aggregate it is clear that UK firms are now conceding wages in excess of productivity.

You will recall that Trevor Holdsworth's other preoccupation these days is as Chairman of British Satellite Broadcasting. You may therefore want to ask him how confident he feels about their planned Spring launch. You could also ask him more generally what are his main impressions as he comes towards the end of his two-year stint as President of the CBI.

*Free.*

PG

22 January 1990

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