



10 DOWNING STREET

From the Private Secretary

8 November, 1983

The Prime Minister was grateful to you for sending copies of the speeches which you and Sir Campbell Fraser made at your Conference. She has read them with interest.

(A. Turnbull)

Sir Terence Beckett, C.B.E.

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From
Sir Terence Beckett CBE
Director-General

in press

CBI

Prime Minister (2)

I have replied. You have
already seen Sir Terence's
speech but might like to
glance at Sir Campbell's - attached,
though it's hardly original.
AT 8/11

8th November, 1983

Dear Prime Minister,

I am enclosing a copy of my opening address to the CBI Conference that I made yesterday. Not unexpectedly, some of the Press have given a partial account of it and I am sure you would want to see the speech as a whole. I am also attaching a copy of Sir Campbell Fraser's closing speech at the Conference which will be made later today. I have sent copies to Mr. Nigel Lawson.

Yours sincerely,

Terence Beckett

The Rt. Hon. Margaret Thatcher MP,
Prime Minister,
10 Downing Street,
London, S.W. 1.

Enc

CBI SEVENTH NATIONAL CONFERENCE

GLASGOW 1983

SPEECH GIVEN BY SIR TERENCE BECKETT, DIRECTOR GENERAL

Mr President, Ladies and Gentlemen.

My job in this opening session of the Conference on a Monday morning here in Glasgow makes me think of the saying which, if it isn't a Scots proverb ought to be after last night: "It is not easy to soar with the eagles in the morning when you have been up with the owls all night". The only way to respond to Scots hospitality is to remind ourselves as one delegate in the lift this morning put it to me, "Water, you know, in moderation, never hurt anybody".

Which leads me rather naturally to the theme of this Conference: "Managing Recovery".

Half of you in this audience could say, based on your own experience, "What recovery?". And a wider audience, in the country as a whole, seeing the unemployment we have, is not convinced that a recovery is even in sight.

We did say at the last Conference that things were going to improve in the coming year and this has happened. Now you know us. Unlike Keynes' parrot we don't say "Oh what a beautiful morning!" irrespective of the weather. But it's strange. Some people do find a changed response to a changed situation a little difficult to understand. It is like the Kerry man in Dublin. You know, the man who complained about the inconsistency of the people in that great city ... whenever he asked the time that day, he'd been given a different answer.

/Our economic situation

Our economic situation hasn't changed as often as that, of course, but business has been through a difficult time. Now things are getting better - slowly. We must tell it as it is - popular or unpopular though it may be -and indicate to the nation as a whole, what we need to provide more jobs and prosperity.

This year has seen a further increase in total output. Even in manufacturing, from a decline in the previous year, we have seen, month on month, from January through to October this year, continued increases in orders, output and sales.

Nevertheless this improvement is small and, as our latest Trends Survey published last week shows, we are still at a low level. Eighty five per cent of the companies questioned said they were short of orders. Sixty five per cent are working below a satisfactory rate of operation. There is no doubt that business needs more business.

Furthermore the recovery is patchy, between sectors and companies and it is bound to be with the kind of structural change that is going on in this country. The best improvement has been in high technology and in the consumer goods industries.

There is now some increased activity in capital goods because of increased investment, but output is only just being maintained in intermediate goods.

/We believe growth

We believe growth will continue at least for the first half of 1984, but it is not likely to be very strong. Let us look at the factors that could give us growth next year: consumption, stock building, foreign trade and investment.

Consumption has increased very rapidly in the last fifteen months. Some of this has been financed by credit and hire purchase which now has to be paid for. Savings have also been run down to levels people may well consider too low. The last firm figures for consumption were for September and these still show considerable demand and for the right goods and services there is plenty of money available. But we doubt whether there will be further large increases in overall consumption during 1984.

On stocks we saw a change in 1983 from destocking to limited restocking, but neither our Manufacturing Trends Survey nor our new Distributive Survey show any intentions to increase stocks in the next few months.

On foreign trade there will be better opportunities in Europe. These together with growth in the American economy and our improved competitiveness will enable us to increase our exports by about four per cent next year. But unless we increase our competitiveness we shall also be vulnerable to more imports.

/On investment

On investment we hope the budget will indicate an increase in public expenditure on the infra-structure which is not being maintained intact, and is increasingly shabby and expensive to operate in. As Tom King told us at NEDDY last week we don't need new reservoirs or purification plants for water in many cases. No less than half the water in one system in the south west never reaches the taps because it leaks out on the way. We want new roads but we need to reconstruct our existing motorways so that they don't have to be repaired every five minutes with the delays that affect us all. The CBI and the Federation of Civil Engineering Contractors have agreed to make a joint study of what we need to do with our infra-structure and at the same time provide more work for the construction industry.

Private house building and renewal grew by seven per cent in 1983 and we would expect this level to be maintained in 1984 but growth over 1983 is doubtful.

Private Service investment increased rapidly in 1983 and it is possible we shall get further growth next year. Manufacturing investment will certainly increase next year. There is improved profitability and liquidity in manufacturing and what we now need is more confidence in sustained growth.

On this issue and summarising overall prospects for 1984 we believe growth will continue but it is likely for the reasons I

/have given

have given to be slow overall. And individual companies can do very well indeed with the right enterprise and products. On the upside there is not much danger of overheating. On the downside there is a possibility that the economy might run out of steam in the second half of next year. We and the Government must do everything we can to avoid that. Our discussions with Ministers give me confidence they will do what is necessary to keep growth moving.

As far as jobs are concerned though, our survey shows net job losses in manufacturing will continue for the next few months, but at a reduced rate. New jobs are being created in the service industries and it may well be that these could begin to outweigh the losses in manufacturing.

Profitability is better, but is still historically low. It is well below the levels in Germany, Japan and America.

Competitiveness is still twenty per cent worse than in the mid seventies, comparing our unit labour cost with that of our principal industrial competitors. Nevertheless: we were fifty five per cent uncompetitive three years ago, so there is a real improvement.

You would find, I think, little difference between the Government and ourselves on this assessment of our situation.

/But if this trend

But if this trend of slow, but sustained growth were to get into trouble, we would most certainly propose actions to Government to help get us back on course.

My personal view is that at this stage of the cycle we ought to be getting a somewhat higher rate of growth than we are currently achieving. I really don't believe this would cause inflation, with all of the unused capacity we have at the present time.

I am sure none of us here want actions now or at any time that will create increased inflation. Looking at our medium and longer run policies I should like to propose to you formally that we establish sustained growth as well as low inflation as joint objectives. Growth has got a bad name in recent years because it was always associated with more inflation. The two don't have to go hand in hand. For example: in the twelve years from 1952 to 1964 growth averaged just over three per cent and inflation just under three per cent per annum. We need to establish the habits and the disciplines to achieve this kind of progress again. Nothing too dramatic, but steady unremitting improvement. Not the bad old stop/go or worse go/stop.

We need steady growth to improve our national lot, provide for some inevitable increases in social and defence spending and cope in a tolerable fashion with the kind of structural change we must make in this country.

/The Chancellor

The Chancellor, Mr Nigel Lawson, said at the Conservative Party Conference at Blackpool that conquest of inflation although essential (quote) "will not on its own give us long term growth which must be an objective over the next five years" (unquote). We are right with him.

We are at the beginning of a new parliament and I know many of you feel a need to consider where we are going in the medium and longer run. So this Conference comes at an interesting and important time. The Chairmen of our Regional Councils and I have agreed we will make this Conference the opening of a more extended discussion of our future policies. That is why what you have to say here can be so useful.

The Regional Chairmen by the way will not be like one of the more sensitive men I once worked for who had a placard behind his desk with a twice life size picture of a gorilla bearing the caption "We welcome your suggestions!" No the chairmen really do want any ideas you have.

If we look at the last four years Government and Business can claim two considerable achievements.

Government has brought inflation down lower than it has been for fifteen years. The slight recoil of the last three months has been due to special year on year factors during the Autumn. There is no need for these factors to create a trend. No one doubts the Government's resolution to keep inflation down and we ourselves can help, for example, in our cost control and our pay settlements. Our trends surveys indicate that cost increases in business will be small in the immediate future. World increases in commodity prices seem to have levelled off and as far as

/intermediate and final

intermediate and final product price increases are concerned these are forecast to be low. Government can claim this reduction in inflation as a real achievement.

Business for its part can be proud of how management has faced up to the recession. We have just published a survey jointly with the BIM called "British Management and the Recession 1983". This makes it clear that although British managers have had a rough time during the recession and are still subject to a great deal of stress and pressure, the vast majority (90%) are optimistic about their companies' ability now to take advantage of future opportunities. Furthermore, the whole tenor of the survey shows that they look to themselves and their companies to find the answers to their current problems more than they call for help from outside, whether from Government or elsewhere. Hard-pressed, realistic about life in a world recession, and counting mainly on themselves for salvation seems a fair summary of managers' views. Above all they believe they have won back the power to manage. I find that encouraging and I'm sure you do too.

Managers lay the greatest emphasis on the needs the survey rather grandly describes as towering mountain-like above all others: profitability and competitiveness. These have been of course our two prime objectives in the CBI for a long time and it is good to see managers now have them so clearly in focus. All in all, this country is lucky to have managers determined and eager to grasp the opportunities of the future.

/But these aren't

But these aren't enough. Low inflation and good management will not necessarily provide more business. Business needs more Business - indeed that could be the sub-title to our main theme: Managing Recovery.

Our past President, Sir John Greenborough used to say, as he put it, in his biblical way, that "now abideth faith, hope and charity, these three, and the greatest of these is ... volume. If we are uncompetitive on direct costs by 20 per cent, and we are, we could quickly swallow this up if we spread our overheads thinner with more volume. This is the way ahead.

The old Scottish song sung by Sir Harry Lauder in this city used to say "You tek the high road and I'll tek the low road ..." but in fact we want to take the middle road with a bit more growth than we are currently getting.

How do we do it?

We need to examine the obstacles to more business and prosperity. Very high on my list, I don't know about yours, would be the excessive share of our national resources that go to the State, into spending not creating wealth. If we are to make progress in pushing back the frontiers of the State it will have to be done early in this parliament. It will be too difficult later on. The Government needs our support on this to cope with some of the necessarily unpopular consequences.

/Our aims in the CBI

Our aims in the CBI are not cash injections or subsidies by the State but a reduction in the burdens the State puts on business. We want lower taxes and lower costs. This is the way to get more business: lower taxes, lower costs, sharper competitive edge, more volume, higher profits, increased investment, leading to more jobs and higher private and social standards of living. This is the message we have to promote.

What we told the Chancellor ten days ago we would like to see in his Autumn Statement was an announcement on National Insurance Contributions. We very much hope that he will not raise the rate that employers have to pay, or the upper earnings limit. Since the Government came to power this limit has been raised by considerably more than was necessary to keep pace either with price or wage inflation. And it has eaten into the savings to business from reducing the Surcharge.

Secondly, we should be very glad if he could announce in his Statement the early removal of the remaining one per cent of that National Insurance Surcharge.

We are grateful to the Government for reducing this tax already by £2,500,000,000 a year and we were delighted to see the Prime Minister refer to it as a "pernicious tax on jobs" in the debate on the Queen's Speech. There is no need for me to rehearse our arguments against it, with you. Everyone here is word perfect on

/it.

it. One more push and it's gone.

We can understand the Government may wish to keep its options open for the next financial year. But we are glad to see press reports suggesting that the Treasury are winning the battle to keep Government spending down to their target. So I hope the Chancellor will have room for what his Red Book calls a "fiscal adjustment". We put the abolition of NIS at the top of the list in that adjustment.

Incidentally, we hope that public expenditure announcements will show that the Government has heard our repeated calls for less spending on current account and more on capital.

On rates we need to support Mr Patrick Jenkin's proposals to cap large rate increases which have been very damaging to business. From all I hear, he will need friends to get this through the Commons and the Lords. If we don't help him we've got no one but ourselves to blame.

Finally, everywhere I go, all over the country, members complain about high interest rates. If the Chancellor were able to get them down this would do more than anything else to improve business confidence and increase the momentum of investment.

/We realise that

We realise that interest rates are not under the Government's control in the same way as tax rates, national insurance contributions and public spending. But the Government has some measure of control.

On monetary aggregates sterling M3 is within the target range; and M nought - not the latest addition to our motorway system, by the way - has been rising more slowly than sterling M3.

One would have hoped that with inflation coming down from twenty five per cent in 1975 and over twenty per cent in 1980 to around five per cent today nominal interest rates would have come down more than they have. And that real interest rates would not be at levels that are both historically high and high in relation to real profitability.

Also the PSBR, which used to be a great albatross round our necks, has come down from ten per cent of GDP in 1975 and five-and-a-half per cent in 1980 to three per cent or under today. It is now at a lower percentage than in any other main industrial country, including Germany and Japan. But, in spite of this, interest rates paid by business here are nearly forty per cent higher than in Germany and they are over eighty per cent higher than in Japan. Some progress has been made since 1980 when prime borrowers were paying 20 per cent, but we have a long way to go

/to become competitive

to become competitive with Germany and Japan. Business here can only be competitive with the best in the world if we have an economic environment which is as favourable as the best in the world.

We believe there is scope for some limited decoupling of our interest rates from those in America without causing problems for the pound and we should gradually but determinedly, nudge our interest rates down. If the result of getting the PSBR down to much lower levels than our competitors is not to get interest rates down, we might conclude these levels of PSBR are too restrictionary.

There are also a number of measures to reduce tax that will be discussed later today and I won't detail them now, but they are important.

These then are some of the things we want from Government to remove obstacles to growth. You will undoubtedly have others you will raise today and tomorrow.

But we ourselves can promote growth. Wage increases need to be lower and productivity improvements higher than our overseas competitors if we are to win back some of our home market and increase our exports.

/Further reductions

Further reductions in overheads is continuing apace in many firms; so is investment to cut costs.

On product, design, marketing, quality, delivery, and involvement of people our booklet "Working For Customers" is in your conference pack. It should become the free enterprise equivalent of Chairman Mao's Little Red Book. The Prime Minister saw me last week. She had read it, very much supports what it says and commends it to you all. But it will only work if you and your people put its precepts into practice. There is a check list on the last two pages of the book.

We must improve our investment in people. The Youth Training Scheme has had magnificent support from employers at a very difficult time, but we now have to address ourselves to skill training and in service training, because if we don't we won't have the people when we need them. Its no use thinking we can just go out and buy them when we want them. They won't be there. We have to spend more money and time on training now to be ready for a better future.

As far as the European Community is concerned, after the last election even the doubters must concede that we are now a part of the Community. So we must make it work better.

In conclusion - we now have forward momentum. Inflation is down. Management is more confident about its effectiveness. There is

/some growth

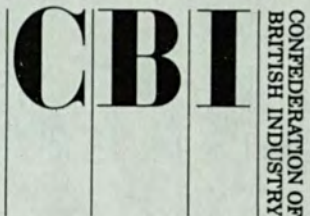
some growth. Wage settlements are down. Productivity is up. Our profits are better and liquidity is improved. We are investing more and export prospects look more promising.

Don't misunderstand me. We are not exactly ecstatic. It's going to continue to be a hard slog, but things are getting better and we can make them better still. We must foster this and sharpen our perceptions on the opportunities about us. We need to cultivate expectations of an improvement we can help to bring about.

I would like to suggest to you that in our debates on many different subjects during the next two days we try to encourage those elements that will contribute to sustained growth. Then in a real sense then we shall have made the theme of the Conference - Managing Recovery - a reality.

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With
Sir Campbell Frasers's
Compliments

PRESIDENT'S CLOSING SPEECH
CBI NATIONAL CONFERENCE, GLASGOW

One delegate, who doesn't even admit to a Scottish grandmother, says he now accepts that the Scots are the most remarkable race on earth. Well, some of us had suspected that. The reason, he went on, is that no other nation has citizens who would spend £100 on a return air fare to London to get a free dinner.

The other lesson I hope he learned - and it's even more relevant to the theme of our Conference - is the superb effort that a group of Scots put in to get us here: the members and staff of the CBI in Scotland, the City of Glasgow and its energetic Lord Provost, the Strathclyde Regional Council and the Scottish Tourist Board. As the saying is they put their money up front to attract us. They left no stone unwashed so that Glasgow would look its best - and at its best it looks good. They provided this setting. They've laid on transport and entertainment and services generously and helpfully - and even a bomb-scare. They've made us feel at home, and I'm not surprised at that because it's Glasgow's way. For all they've done I want to thank them on your behalf.

Of course, there was something in it for Glasgow beyond the additional £200,000 we bring in trade. They want to improve Glasgow's reputation, and get Glasgow seen as a worthy Conference Centre. And they've gone about it the right way. They researched the market carefully, they made their product attractive, and they sold it hard. Long may they flourish - which as you now know - gets decently close to Glasgow's own motto.

//Put bluntly,

But bluntly, they did immaculately well what we in British industry are always being asked to do - to get off our butts, get on our bikes, and improve our share of the world's market. As a nation we haven't been sufficiently successful at that. I say "as a nation" because the need to be more competitive doesn't just apply to those of us in industry and commerce, but to all of us, whatever we do.

Part of our problem in the 1980s is that we wouldn't have launched our rebirth from here if we had had a choice. We still had the horrors of the 1970s to contend with. In a decade, orders for British shipbuilding fell by 90%, orders for British machine tools fell by 70%, orders for British engineering fell by 30%, orders for British steel fell by half. So did orders for British cars until that glint of Alamein for the car makers this year.

All of us who sell components and services to these industries have had to live with similar strains, at the same time trying to correct past weaknesses, yet recognising the need to pursue new technologies - all in a more open economy than any of us had known.

Inevitably this has involved the pain of taking thankless decisions, closing or selling some businesses to keep others alive, slimming operations where it had been thought normal that seven Britons should do the job done by four Americans, or three Japanese, or even by four South Koreans at half British wages. Even lifting the roof off to keep the rate bill down!

//So not every

So not every firm has made it, and there are great gaps in the industrial jig-saw, a danger of which we are all very conscious because the spaces will be filled by imports, and import penetration is too high already. In a large sophisticated industrial economy - and Britain after all is the fifth largest economy in the western world - there are industries we can't comfortably do without. They don't have to be glamorous or well-known. They just have to exist. How is it possible that a heater manufacturer has to import copper tubing? Or interior heating systems by the National Bus Company for their coaches? Needless to say, these examples come from the recent 'Can You Make It?' exhibition.

Of course there have been substantial improvements in efficiency, not least by changes in long-encrusted working practices. The realisation that flexibility is the key to success - because constant change is the name of the game - bears witness to new attitudes among us all. In that respect it's worth saying - and with some force - they are to be found among the management just as much as they are on the shop floor.

Often enough this flexibility has kept jobs in being. So there have been days of private satisfaction at jobs saved from the burning, as well as hidden anguish at jobs lost.

For unemployment is the worst of it. Be damned with the conventional wisdom that the country will only know high levels of unemployment until the end of the decade. Who stays in the dole queue? Your son? Your daughter? The calm acceptance of more than three million people out of work just isn't good enough. Other countries have gone through the recession, too, and only Belgium has a higher rate of unemployment than we have.

//It would have been

It would have been encouraging if one result of the pain had been a rise in our share of world markets. But that isn't the case yet. The figures are depressingly simple. Twenty years ago we had 16% of the world trade in manufacture; today it is 8%. What is even more surprising, because it is unexpected, is that our share in the service industries has fallen by almost the same amount over the period. It would take remarkable complacency, which would be ill-tuned to our circumstances, not to recognise what this means: we are nothing like as competitive as we should be.

Or can be. We have clawed our way back up the league of competition in the last two years. But we have to get into the habit of wanting to do better every year, because that is the nature of the world in which we live. Competition isn't a fast sprint. It's a long-lasting marathon, but one in which the lead can change. At the moment the Japanese are concerned because what they call the "youthful four" - South Korea, Taiwan, Singapore and Hong Kong - are breathing down their necks.

What we cannot do is stand still. A nation that opts for the status quo is in real trouble. That has been part of our problem. Too many of us expected to do the same job all of our working lives. For once I have no trouble with the conventional wisdom that training and retraining are an absolute requirement for us, and I believe we are getting that message. The Youth Training Scheme, which has done well and will improve, should be a first step towards that. But the message is for us all, not just the young. In this city, just round the corner from this building, there was a time when the nights were full of young men and women hurrying to night school at the Royal Technical College. Now we should be queuing up to take computer courses, and not least those of us who only know the slide rule. We really do have to accept change, and enjoy change, as a desirable companion.

Bu all accounts, by your accounts, we have come to recognise that in a very short period of time. In that case we could be at the start of something big. And there is so much to do. Apart from making sure that we have our silicon valleys - or silicon glens if you prefer - apart from the need to keep improving our general efficiency, we also have to build back a better balance into our industrial structure to fill a few of those gaps I've mentioned. Our emphasis can once again be an opportunity, even at a time when some parts of the nation feel like the walking wounded.

But, as Terry Beckett said, the thing that would help is a bit more growth. We do need that to provide the seed corn of profits and investment for the future.

In this country the CBI has sought and will continue to seek additional expenditure on the infrastructure. At one of our meetings I was taken to task when I said that the nation's sewers needed extensive repairing or rebuilding. Only in the north west, said a knowledgeable CBI member. In that case, sewers in the North West. But what about water mains here in Glasgow? Last week a major water main burst in George Street - not 100 yards from this hall - and surrounded it, for a time, in a sea of water and a sizeable traffic jam. The water system in Glasgow is more than 120 years old and is obviously in need of extensive modernisation.

//An extension of

An extension of our motorway system, particularly to provide a much-needed link from the Midlands to the Anglian ports which have become our gateway to European markets, could stimulate both demand and supply with the minimum of inflationary consequences.

These capital projects can be of great relevance to the success of British industry in cutting business costs, encouraging economic growth and reducing unemployment. At this stage of our recovery they are paramount. They should have the highest possible priority in our spending.

There is something else our Government might do and I believe wants to do: to breathe life into the European Community which is up a blind alley without a white stick! Now is the moment to promote an initiative that would return the Community to its original concept of a free-flowing vigorous market, and take its mind off social legislation, like Vredeling, which may be well-intentioned but has the effect of slowing business down rather than hurrying it along.

Of course, many of us are ambivalent about the common market. In hard times our thoughts, too, turn to protection from our own Government. But, as it happens, the one voice at the moment which is seeking reform in the Community belongs to Europe's confederation of industries. It is asking that there should be a single Company law to allow successful cross-frontier mergers to take place; anti-trust legislation which acknowledges that the world is one market; common accounting principles that make comparisons between companies more accurate and more fair; less hidden protection by Governments.

//On that last point,

On that last point, the CBI from time to time tries to measure how much aid the Governments of the Community give their industries. One recent comparison indicated that the Italian Government provides proportionately more than our Government. You would probably have expected that. The same comparison showed that the French Government gave comparatively less. Perhaps it was a Frenchman, rather than Mark Twain, who talked of lies, damned lies, and statistics.

But there is one thing we are all now aware of. There are limits to what any one Government can do to improve the world economic condition. **There is a need for joint action.** So I say: remember Williamsburg. Just in case anyone has forgotten, the statement from the Heads of Government made at the conclusion of that Conference said: "Our discussions here at Williamsburg give us a new confidence in the prospect of a recovery. We have strengthened our resolve to deal co-operatively with continuing problems, so as to promote a sound and sustained recovery, bringing new jobs and a better life for the people of our own countries and of the world".

That is certainly what the world needs. It is full of unused resources and empty stomachs. A bit more growth could do wonders for world trade which in itself has done so much to promote and sustain the prosperity of the world in the better post war years.

Yet, it has to be admitted; we want it the hard way. As I said last year we are in favour of growth, we do not favour inflation. Inflation is the great temptation. Some say just a little more won't do us any harm, with indexation to take care of the poor, or the saver or the pensioner. But it never does, and I don't believe it ever will. Which makes it more imperative than ever that the solution to the paradox is quickly found. Otherwise we shall over-gorge again and again and require a purgative just as often. There must be a more

/sensible approach.

sensible approach. Surely it's low inflation and steady growth in the right ways.

Scotland provides a good example of growth in the right way. I don't think that Scottish people would regard their present condition as anything other than thoroughly unsatisfactory with rather more than the national average out of work. So it may come as a shock to my fellow Scots that there are other areas of Britain which look at us longingly, not to say enviously.

These are the areas in which seemingly indestructible industries proved fallible to recession and competition, and where it is recognised that restructuring on a massive scale is required. Scotland came to that conclusion sooner, because it had to. The old basic industries had been failing for a long time when the Scottish Council, especially in the years after the war, set out to attract new skills and technologies to Scotland. The effort was persistent and determined, and very often successful. It was a superb example of self help, still being carried on, aided by the more recent work of the Scottish Development Agency.

Anything of this kind is a long slog. I had thought from what he said on one occasion yesterday morning that Terry was going to sing a verse and chorus from the Bonnie Banks of Loch Lomond to show that what's needed isn't the high road to excess, or the low road to failure; but the road that brings you where you want to be. Indeed, there is another song that Harry Lauder sang - on reflection there were very few songs of his time that he didn't sing - which is perhaps even more appropriate to a Conference which has Managing Recovery as its theme. I said to my family that I was prepared to sing it. They said they would rather I didn't.

//Anyway, whether it's

Anyway, whether it's sung or not doesn't matter. It's the title that's important. Keep Right on to the End of the Road. In its slightly maudlin way it faces up to the reality of life's persisting perplexities, but it makes the point that the proper response is to stick with it. To keep going. To keep going with a strong heart and an optimistic mind.

But there's even more to it than that. We know, inside ourselves, for all the difficulties we're going through, that we are on the right road. For the first time in a very long time, we're heading in the right direction.

Now we have a better chance to improve our reputation, our position in the world, our standard of living. Other people, other groups - Government, the schools and universities, the trade unions - have their part to play, but at the end of the day the responsibility for what happens rests with us. Remember, as you return to your companies, the sparkling example that the people of this City have set you - with the firm resolve that you can do even better.

de Prentice

PRESIDENT'S CLOSING SPEECH
CBI NATIONAL CONFERENCE, GLASGOW

One delegate, who doesn't even admit to a Scottish grandmother, says he now accepts that the Scots are the most remarkable race on earth. Well, some of us had suspected that. The reason, he went on, is that no other nation has citizens who would spend £100 on a return air fare to London to get a free dinner.

The other lesson I hope he learned - and it's even more relevant to the theme of our Conference - is the superb effort that a group of Scots put in to get us here: the members and staff of the CBI in Scotland, the City of Glasgow and its energetic Lord Provost, the Strathclyde Regional Council and the Scottish Tourist Board. As the saying is they put their money up front to attract us. They left no stone unwashed so that Glasgow would look its best - and at its best it looks good. They provided this setting. They've laid on transport and entertainment and services generously and helpfully - and even a bomb-scare. They've made us feel at home, and I'm not surprised at that because it's Glasgow's way. For all they've done I want to thank them on your behalf.

Of course, there was something in it for Glasgow beyond the additional £200,000 we bring in trade. They want to improve Glasgow's reputation, and get Glasgow seen as a worthy Conference Centre. And they've gone about it the right way. They researched the market carefully, they made their product attractive, and they sold it hard. Long may they flourish - which as you now know - gets decently close to Glasgow's own motto.

//Put bluntly,

Put bluntly, they did immaculately well what we in British industry are always being asked to do - to get off our butts, get on our bikes, and improve our share of the world's market. As a nation we haven't been sufficiently successful at that. I say "as a nation" because the need to be more competitive doesn't just apply to those of us in industry and commerce, but to all of us, whatever we do.

Part of our problem in the 1980s is that we wouldn't have launched our rebirth from here if we had had a choice. We still had the horrors of the 1970s to contend with. In a decade, orders for British shipbuilding fell by 90%, orders for British machine tools fell by 70%, orders for British engineering fell by 30%, orders for British steel fell by half. So did orders for British cars until that glint of Alamein for the car makers this year.

All of us who sell components and services to these industries have had to live with similar strains, at the same time trying to correct past weaknesses, yet recognising the need to pursue new technologies - all in a more open economy than any of us had known.

Inevitably this has involved the pain of taking thankless decisions, closing or selling some businesses to keep others alive, slimming operations where it had been thought normal that seven Britons should do the job done by four Americans, or three Japanese, or even by four South Koreans at half British wages. Even lifting the roof off to keep the rate bill down!

//So not every

So not every firm has made it, and there are great gaps in the industrial jig-saw, a danger of which we are all very conscious because the spaces will be filled by imports, and import penetration is too high already. In a large sophisticated industrial economy - and Britain after all is the fifth largest economy in the western world - there are industries we can't comfortably do without. They don't have to be glamorous or well-known. They just have to exist. How is it possible that a heater manufacturer has to import copper tubing? Or interior heating systems by the National Bus Company for their coaches? Needless to say, these examples come from the recent 'Can You Make It?' exhibition.

Of course there have been substantial improvements in efficiency, not least by changes in long-encrusted working practices. The realisation that flexibility is the key to success - because constant change is the name of the game - bears witness to new attitudes among us all. In that respect it's worth saying - and with some force - they are to be found among the management just as much as they are on the shop floor.

Often enough this flexibility has kept jobs in being. So there have been days of private satisfaction at jobs saved from the burning, as well as hidden anguish at jobs lost.

For unemployment is the worst of it. Be damned with the conventional wisdom that the country will only know high levels of unemployment until the end of the decade. Who stays in the dole queue? Your son? Your daughter? The calm acceptance of more than three million people out of work just isn't good enough. Other countries have gone through the recession, too, and only Belgium has a higher rate of unemployment than we have.

//It would have been

It would have been encouraging if one result of the pain had been a rise in our share of world markets. But that isn't the case yet. The figures are depressingly simple. Twenty years ago we had 16% of the world trade in manufacture; today it is 8%. What is even more surprising, because it is unexpected, is that our share in the service industries has fallen by almost the same amount over the period. It would take remarkable complacency, which would be ill-tuned to our circumstances, not to recognise what this means: we are nothing like as competitive as we should be.

Or can be. We have clawed our way back up the league of competition in the last two years. But we have to get into the habit of wanting to do better every year, because that is the nature of the world in which we live. Competition isn't a fast sprint. It's a long-lasting marathon, but one in which the lead can change. At the moment the Japanese are concerned because what they call the "youthful four" - South Korea, Taiwan, Singapore and Hong Kong - are breathing down their necks.

What we cannot do is stand still. A nation that opts for the status quo is in real trouble. That has been part of our problem. Too many of us expected to do the same job all of our working lives. For once I have no trouble with the conventional wisdom that training and retraining are an absolute requirement for us, and I believe we are getting that message. The Youth Training Scheme, which has done well and will improve, should be a first step towards that. But the message is for us all, not just the young. In this city, just round the corner from this building, there was a time when the nights were full of young men and women hurrying to night school at the Royal Technical College. Now we should be queuing up to take computer courses, and not least those of us who only know the slide rule. We really do have to accept change, and enjoy change, as a desirable companion.

//By all accounts

Bu all accounts, by your accounts, we have come to recognise that in a very short period of time. In that case we could be at the start of something big. And there is so much to do. Apart from making sure that we have our silicon valleys - or silicon glens if you prefer - apart from the need to keep improving our general efficiency, we also have to build back a better balance into our industrial structure to fill a few of those gaps I've mentioned. Our emphasis can once again be an opportunity, even at a time when some parts of the nation feel like the walking wounded.

But, as Terry Beckett said, the thing that would help is a bit more growth. We do need that to provide the seed corn of profits and investment for the future.

In this country the CBI has sought and will continue to seek additional expenditure on the infrastructure. At one of our meetings I was taken to task when I said that the nation's sewers needed extensive repairing or rebuilding. Only in the north west, said a knowledgeable CBI member. In that case, sewers in the North West. But what about water mains here in Glasgow? Last week a major water main burst in George Street - not 100 yards from this hall - and surrounded it, for a time, in a sea of water and a sizeable traffic jam. The water system in Glasgow is more than 120 years old and is obviously in need of extensive modernisation.

//An extension of

An extension of our motorway system, particularly to provide a much-needed link from the Midlands to the Anglian ports which have become our gateway to European markets, could stimulate both demand and supply with the minimum of inflationary consequences.

These capital projects can be of great relevance to the success of British industry in cutting business costs, encouraging economic growth and reducing unemployment. At this stage of our recovery they are paramount. They should have the highest possible priority in our spending.

There is something else our Government might do and I believe wants to do: to breathe life into the European Community which is up a blind alley without a white stick! Now is the moment to promote an initiative that would return the Community to its original concept of a free-flowing vigorous market, and take its mind off social legislation, like Vredeling, which may be well-intentioned but has the effect of slowing business down rather than hurrying it along.

Of course, many of us are ambivalent about the common market. In hard times our thoughts, too, turn to protection from our own Government. But, as it happens, the one voice at the moment which is seeking reform in the Community belongs to Europe's confederation of industries. It is asking that there should be a single Company law to allow successful cross-frontier mergers to take place; anti-trust legislation which acknowledges that the world is one market; common accounting principles that make comparisons between companies more accurate and more fair; less hidden protection by Governments.

//On that last point,

On that last point, the CBI from time to time tries to measure how much aid the Governments of the Community give their industries. One recent comparison indicated that the Italian Government provides proportionately more than our Government. You would probably have expected that. The same comparison showed that the French Government gave comparatively less. Perhaps it was a Frenchman, rather than Mark Twain, who talked of lies, damned lies, and statistics.

But there is one thing we are all now aware of. There are limits to what any one Government can do to improve the world economic condition. There is a need for joint action. So I say: remember Williamsburg. Just in case anyone has forgotten, the statement from the Heads of Government made at the conclusion of that Conference said: "Our discussions here at Williamsburg give us a new confidence in the prospect of a recovery. We have strengthened our resolve to deal co-operatively with continuing problems, so as to promote a sound and sustained recovery, bringing new jobs and a better life for the people of our own countries and of the world".

That is certainly what the world needs. It is full of unused resources and empty stomachs. A bit more growth could do wonders for world trade which in itself has done so much to promote and sustain the prosperity of the world in the better post war years.

Yet, it has to be admitted; we want it the hard way. As I said last year we are in favour of growth, we do not favour inflation. Inflation is the great temptation. Some say just a little more won't do us any harm, with indexation to take care of the poor, or the saver or the pensioner. But it never does, and I don't believe it ever will. Which makes it more imperative than ever that the solution to the paradox is quickly found. Otherwise we shall over-gorge again and again and require a purgative just as often. There must be a more

/sensible approach.

sensible approach. Surely it's low inflation and steady growth in the right ways.

Scotland provides a good example of growth in the right way. I don't think that Scottish people would regard their present condition as anything other than thoroughly unsatisfactory with rather more than the national average out of work. So it may come as a shock to my fellow Scots that there are other areas of Britain which look at us longingly, not to say enviously.

These are the areas in which seemingly indestructible industries proved fallible to recession and competition, and where it is recognised that restructuring on a massive scale is required. Scotland came to that conclusion sooner, because it had to. The old basic industries had been failing for a long time when the Scottish Council, especially in the years after the war, set out to attract new skills and technologies to Scotland. The effort was persistent and determined, and very often successful. It was a superb example of self help, still being carried on, aided by the more recent work of the Scottish Development Agency.

Anything of this kind is a long slog. I had thought from what he said on one occasion yesterday morning that Terry was going to sing a verse and chorus from the Bonnie Banks of Loch Lomond to show that what's needed isn't the high road to excess, or the low road to failure; but the road that brings you where you want to be. Indeed, there is another song that Harry Lauder sang - on reflection there were very few songs of his time that he didn't sing - which is perhaps even more appropriate to a Conference which has Managing Recovery as its theme. I said to my family that I was prepared to sing it. They said they would rather I didn't.

//Anyway, whether it's

Anyway, whether it's sung or not doesn't matter. It's the title that's important. Keep Right on to the End of the Road. In its slightly maudlin way it faces up to the reality of life's persisting perplexities, but it makes the point that the proper response is to stick with it. To keep going. To keep going with a strong heart and an optimistic mind.

But there's even more to it than that. We know, inside ourselves, for all the difficulties we're going through, that we are on the right road. For the first time in a very long time, we're heading in the right direction.

Now we have a better chance to improve our reputation, our position in the world, our standard of living. Other people, other groups - Government, the schools and universities, the trade unions - have their part to play, but at the end of the day the responsibility for what happens rests with us. Remember, as you return to your companies, the sparkling example that the people of this City have set you - with the firm resolve that you can do even better.