



10 DOWNING STREET

Prime Minister

Joint Meeting of the Finance and Industry Committees held
at the House of Commons at 5.00 p.m. on Tuesday, 29th July, 1980.

1. I have given you a brief verbal report on this Meeting, but you may like to have this Note as well.

2. The Meeting was well attended, and was addressed first by Keith Joseph, and then by John Biffen.

3. Keith Joseph said:-

(a) If the pressures on the industrial, business and commercial communities were to continue unabated for more than twelve months, they would be in a very serious situation indeed.

(b) But it was not self evident that those pressures, notably of inflation and of interest rates, would continue unabated for more than twelve months.

(c) On the contrary, the signs were than within the next twelve months both inflation and interest rates would abate.

(d) Furthermore, there were encouraging signs that commodity prices were now rising significantly less steeply.

(e) There was a new sense of realism which was beginning to spread through industry. In particular, there were signs of increasing co-operation and good will between management and the shop floor.

(f) Looming over these encouraging signs were what he described as "the wretched problems of the ruddy nationalised industries."

(g) Although steel and ship building were in a really sad situation, both industries were now under top class management.

(h) There were nightmares still ahead for British Leyland, despite the heroic efforts of Michael Edwardes.

(i) We were pursuing a deliberate and carefully thought out policy of "privatisating and demonopolising in the second and third elevens". At the end of this Parliament, the map of Britain, showing the public and private sectors, would look very different, as compared with 3rd May, 1979.

(j) Motivation was changing, and changing for the better.

(k) His Department was busy "dimantling the obstacles to adaptation".

4. John Biffen said:-

(a) The Government was determined to stick to the totals of its public

/expenditure

plans, as published, although within those totals there would, almost certainly, have to be some variation as between one individual programme and another.

(b) The Government was determined to press ahead with its reductions in the size of the Civil Service.

(c) Public sector pay represented 17% of total Central Government spending and 47% of Local Authority spending. Here there would be a clash between Cash Limits and the Pay Research Bodies. In the Nationalised Industries the Government would distance itself as far as possible from wage negotiations, while remaining resolute about Cash Limits.

30th July, 1980



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