

EMBARGOED UNTIL 0001 HOURS WEDNESDAY 20 MAY 2015

Sir Mike Rake, CBI President Speech to CBI Annual Dinner 2015 Wednesday 20 May 2015

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[1,900 words = 15 minutes]

Ladies and Gentlemen,

Welcome to the CBI Annual Dinner.

First, I would like to thank our sponsors – IBM and ManpowerGroup – for supporting tonight's event.

And I am delighted that so many former CBI Presidents and Directors-General are with us for this evening's 50th anniversary celebration.

In business you learn to 'expect the unexpected'.

Few predicted the financial crisis, few predicted a sustained period of low interest rates or the risk of deflation and few predicted the collapse in oil prices.

And very few predicted the clear-cut result we saw on 7th May.

Business welcomes the fact that several weeks of negotiations were avoided. And business will very much welcome the continuity the Prime Minister has shown in his choice of ministerial appointments.

Today, we are at a critical moment for growth.

The election may be over, but risks remain – at home and abroad.

Our fiscal deficit is still the highest of any major EU country. And on the global stage, headwinds persist. From structural challenges in the Eurozone, to Greece's on-going debt issues and conflict in the Ukraine.

Yet as we celebrate the CBI's 50th anniversary this evening, business has good reason to be optimistic about the future.

Last year, the UK economy grew at its fastest rate since 2006, whilst the unemployment rate is now at its lowest since mid-2008.

The Coalition deserves credit for having stuck to its guns on tackling the deficit. And pro-enterprise policies – like lowering the headline rate of Corporation Tax – helped turn the UK into the number one European destination for Foreign Direct Investment - in spite of some uncertainty around EU membership.

With our political future more certain and our economic outlook more positive – now is the perfect time to tackle remaining challenges to growth.

So this is my 'call to arms' to Government and to the business community.

Let's seize this moment to deal with the challenges to our future growth –

If we get these right, we can help spread the fruits of growth to all.

both at home and abroad.

So, our first challenge is Europe.

This is the big question for business in this parliament.

The Prime Minister's re-election has fired the "starting-gun" for an EU referendum.

And whilst the timing of any referendum is a constitutional matter for Government, the position of the overwhelming majority of businesses is clear. Business wants to stay in a reformed European Union.

Business has increasingly spoken out on this crucial issue and the time has come to turn up the volume.

Speaking out clearly and in a language which people can understand.

In the months to come, our country will have to make its own choice.

A choice between openness or isolation.

Between shaping the future or retreating into the past.

The question is not whether the UK would survive outside the EU, but whether it would thrive.

No-one has yet set out a credible alternative future to EU membership. The current alternatives are <u>not</u> realistic options – little or no influence and the obligation to comply with EU principles whilst still paying most of the costs.

Norway is the 10th highest contributor to the EU budget – despite not being a member – and it took Switzerland nine years to negotiate and implement partial access to the Single Market.

Business must be crystal-clear that membership is in our national interest.

The EU is key to our national prosperity. Letting us set the trade agenda, be part of the biggest free trade deal ever negotiated – TTIP – and be able to properly compete with global giants like China and India.

The EU is a business opportunity – with a Single Market of more than 500 million customers and 21 million companies. Free movement of workers within the EU – in particular - is crucial for UK firms.

Whilst we understand the public concerns, skilled migration is part of the solution. We need to keep up-skilling our population at home <u>and</u> attract the best and brightest European and global talent. Many businesses – and our National Health Service – could not operate without skilled migration.

But - of course – the EU is far from perfect.

Regulating on so-called 'life-style issues' – for example – should clearly be left to Member States. And the impact of poorly thought-out legislation – especially on employment law – can be a real headache for business.

But while we know that we do not always get what we want in a Club of 28, should we let this turn into an excuse for a lack of constructive engagement? Or should we redouble our efforts to build the alliances that can make our vision of a reformed Europe a reality?

I believe it is the latter.

Today the moment is ripe for reform.

The things we want are shared by our European colleagues and the EU can be more competitive without the need for treaty change.

Reform will not happen overnight. But by working with our allies on an ambitious – yet achievable – agenda, we can make it a reality.

So we support the Prime Minister's drive for a more competitive EU.

And the new Government can count on business's support to make this happen.

Already, we are seeing a growing consensus - from Government, business and Europe's leaders. We have seen some encouraging signs of progress from the European Commission and we are delighted at the appointment of Lord Hill as the Commissioner for financial services, a key area for us in the UK.

We – of course - need to complete the Single Market. And the Commission has made a start on the Single Market for a digital age.

And with Vice-President Timmermans' recent drive on deregulation, the Commission is focusing on fewer, higher-profile challenges - putting quality over quantity when it comes to legislation.

The Capital Markets Union shows signs of this new approach – with the possibility of unlocking the potential of financial services right across the EU. And – of course - the City is "Europe's financial capital".

Europe and the City need each other.

Europe needs the City to produce growth and fund EU competitiveness.

And the City needs Europe as a gateway to clients, business and investment. EU reform is a chance for both to benefit.

Right here in the UK, the financial services sector supports growing firms, invests in infrastructure and contributes significant tax revenues through invisible exports.

In the last parliament, we recognise that the Chancellor took action to protect the City's interests on many occasions.

But today, with the UK regulatory environment going above and beyond others, there are unmistakable signs that activity is being diverted elsewhere.

We need to retain major global institutions based in London – key to our reputation as a global hub and to our world-beating legal, accounting and other professional services.

But our future growth depends on overcoming a whole range of challenges which have held us back in the past.

For example, we need to find - wherever possible - cross-party agreement on the long-term measures that will underpin future growth.

The development of an Industrial Strategy – the work of two different Governments - shows what we can achieve when political will is present.

We believe that now is the time for cross-party agreement on infrastructure, education and healthcare.

On airport capacity, Britain's future has waited long enough.

We have not built a full-length runway in the South-East since 1945.

That is why we want the Government to agree to implement the Airports Commission's recommendations.

On education, we have seen some positive signs in recent years – such as academies. These have continued under Governments of different colours, combining a cross-party approach with real business involvement. We want to see an education system which helps prepare young people for life and work.

And by dealing with these challenges, <u>we can ensure sustainable growth</u> which will benefit all in society.

The first step towards this goal must be addressing our poor productivity.

And that means investing to get our workforce the skills they need to compete in a globalised world.

In the global skills race, the bar is being set higher and higher.

By 2022, half of all jobs will require workers to have completed some form of higher education, including apprenticeships.

But if we get skills and education right – the prize would be sustainable increases in productivity and wealth for everyone.

Of course, sometimes business has not lived up to the public's expectations.

We should be clear – it is in our interests to have happy employees and healthy, wealthy consumers.

By treating customers fairly we can increase public trust and improve our credibility. This is the best way to generate sustainable profits.

Our *Great Business Debate* campaign has launched a conversation with the public on business – listening to their concerns, combating myths and highlighting firms' contribution to society; directly and indirectly. For example, over the last year the 174 billion pounds of taxes paid by business benefited people all across the UK - funding everything from schools, to hospitals to local bus routes.

And to truly extend growth to all, we will have to make sure growth reaches every part of the United Kingdom.

With the recent expected - but dramatic - result in Scotland, devolution is once again at the forefront of policy.

We welcome the Prime Minister's emphasis on the UK being 'one-nation'.

And now is a time for a period of calm reflection.

If done in a careful and considered manner, devolution can be part of the solution – driving growth across the UK.

And we have been clear that – where promises of further devolution have already been made – such as in the draft Scotland Bill – these should be delivered to give business in the UK's regions the certainty they need.

But looking forward, any further devolution of power must be driven by economic evidence, not political expediency.

Above all, we must protect the crown jewel of our "United economic Kingdom" – our single, internal market.

Every day, around 125,000 people travel between England and Wales for work, whilst Scotland's biggest export partner is the rest of the UK (+/-70%).

And future growth – across the UK - will rest on our ability to trade freely across the United Kingdom, without additional cost or complexity.

Ladies and Gentlemen.

The only answer to our economic and demographic challenges is growth.

Together, we are creating the growth which will attract investment, create jobs and – ultimately - raise living standards.

As business leaders – we have a right and a duty to speak out in the debates which matter to the future of our economy.

Indeed, the CBI has been the "voice of growth" for half a century.

For 50 years, guided by our members, we have spoken up for growth and jobs as a factual and unemotional voice in the debate.

For 50 years, we have made this voice heard – from the front pages of the media to the backbenches of parliament.

We have done this under Governments of every kind and colour, when times were good for our economy – and when times were bad.

And we will keep on speaking out.

Today – despite the challenges – our recovery is strengthening.

And the new parliament is the perfect chance for business to show this country what it can do.

So let's be positive about the future.

We can win the EU argument.

We <u>can</u> overcome the remaining challenges at home.

And – by doing so - we can make growth work for all.

Many thanks.