

PRIME MINISTER

FUTURE OF THE NATIONAL ENTERPRISE BOARD

Keith Joseph sent me a copy of his minute to you of 13 November. I should like to set down, before we meet in MISC 22, what seem to me to be the main considerations we should have in mind in considering this problem.

First, the immediate flash-point (today's meeting of the TUC Economic Committee) has been safely passed. Len Murray's attitude, and his influence on David Basnett, seem to have been wholly helpful.

Secondly, Rolls Royce (and BL for that matter) cannot legally be subtracted from NEB until the Industry Bill has been passed into law, and this is unlikely to be before next April at the earliest.

Thirdly, we do not want to have to find a replacement for McFadzean as Chairman of Rolls Royce if we can help it, even though the present problem seems to be aggravated by his unreadiness to compromise: nor do we want to be faced with a TUC walk-out from the NEDC and the Sector Working Parties, still less a complete breach between it and the Government. (You yourself made this point to Geoffrey Howe, Keith Joseph and me on 8 November). I should add that, when I spoke to Len Murray again this afternoon he made it clear that he remained of the view that the removal of Rolls Royce from the NEB would have repercussions beyond the resignation of the NEB Board, - ie no TUC nominees for a reconstituted Board and very probably a TUC withdrawal from other bodies such as NEDC.

In the light of all this, I do not see that we are under any obligation to take speedy decisions, or that any point of principle would be threatened if we managed to achieve a compromise whereby the Rolls Royce Board and the NEB stopped snarling at each other and allowed considerations of the national interest to take precedence over their

personal feelings. What has passed over the last week must have been
grist to the mill of Rolls's two US rivals. When McFadzean and Murphy
and their colleagues come to realise this in their calmer moments it
ought to be possible to get them all to arrive at some sort of
armistice - whether by an exchange of directors between the two Boards
or some right of direct access to Keith Joseph for McFadzean or
whatever. But the immediate need is to get both Boards to stop
sounding off and to start thinking constructively for a change.

I am sending copies of this minute to our colleagues in MISC 22,
and to Sir Robert Armstrong and Sir Kenneth Berrill.

lanfair

JP

Approved by the Secretary
of State and signed in
his absence

14 November 1979