

fold Murdo  
2311  
PRIME MINISTER

*Prime Minister*  
Rather than bother you, I put the options set out  
in this minute to Sir Keith's Office. After consulting  
the whips, he has decided to postpone report stage  
for a week (option ii); if the steel strike has not been  
settled by then, he will proceed with the £3,000 m. limit  
Industry Bill and bring in further legislation next  
year if it turns out to be necessary.  
(option i).

Sir Keith Joseph is proposing to introduce a new clause in the Industry Bill covering the NEB's financial limit and the limit on financing of companies, such as Rolls Royce, which will be taken out of the NEB. The present clause in the Bill provides for a total limit of £3,000m. But this was based on earlier advice that the funding of Rolls Royce would not need to be covered - because the Treasury Solicitor believed that the Rolls Royce Purchase Act would provide the necessary cover. The legal advice has now changed and consequently the financial limit in the Bill needs to be increased by £1,000m to £4,000m. (The £1,000m for Rolls Royce seems enormous and considerably larger than the public expenditure figures which we have been shown. The explanation is that about half of Rolls Royce's funding is to come from the private sector and the financial limit has to cover this. Also, the limit is a cash figure, whereas the expenditure figures are at 1978 prices).

The £4,000m is intended to last for five years as is the convention. Sir Keith says that if we stick to £3,000m, it will be necessary to announce further primary legislation in the next Queen's Speech.

The Chancellor is willing in principle to go along with the figure of £4,000m but he is very unhappy - as I believe you are - about announcing this while the steel strike is continuing.

There would seem to be three possible options:

i) Stick to the figure of £3,000m and introduce further legislation next year as necessary. It would be somewhat embarrassing to have to do this so soon, and Sir Keith implies that it would be improper not to take full provision now. On the other hand, there would be advantage in this course insofar as we would postpone criticism that the financial limits are being increased unnecessarily. (Last year in Opposition, Sir Keith

/strongly

strongly attacked the then Government for increasing the financial limit to £4,500m).

ii) Postpone the passage of the Bill. Earlier, Cabinet had decided that the Bill should be given utmost priority with a view to Royal Assent by 31 March: this was so that the Treasury could achieve its programme of NEB disposals for this year. However, the Treasury say that this is no longer necessary since they have already achieved their disposals objective. Contrary to what I told you earlier this afternoon, DOI see no problem from their point of view in postponing the passage of the Bill. The only real problem concerns the parliamentary timetable. The Bill is down for Report Stage next Tuesday and Wednesday (which means that a new clause would have to be tabled tonight), and there is nothing very substantial to fill the gap next week if the Bill is taken out. Postponement of Report Stage will also of course congest the timetable later in the Session.

iii) Stick to the £3,000m limit for the moment, and introduce the higher figure in the Lords. However, this would of course require a new Money Resolution in the Commons; more importantly, there would almost certainly be criticism that such an important provision was being introduced in the Lords.

On the whole, we think that option 3 should be ruled out. The choice is between options 1 and 2. Despite the problem of the parliamentary timetable, option 2 is probably the better. But you might like to discuss this with Sir Keith and the Chancellor. In any case, a decision is needed today.

22 January 1980

*1 should prefer  
option 2 but we may  
have to assess how long we  
think the steel strike  
will last out.*

*TL.*