

Blind of Mr Wilson
Mr Mackay
Mr Ingham

Copy to Inld (R), Pt 2.
Re future of RSHs Royce



10 DOWNING STREET

cc FCO
HMT
MOD
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From the Private Secretary

19 November, 1979.

Dear Ian,

The Prime Minister has considered your Secretary of State's minute of 19 November about Rolls Royce and the future of the NEB. She has also seen the minute of today's date from the Secretary of State for Employment.

The Prime Minister is content for Sir Keith to inform the NEB this evening that Rolls Royce are to be taken out of their responsibility, and that this should be announced in the House tomorrow along with the naming of Sir Arthur Knight as the new Chairman of the NEB and other new board members if Sir Leslie Murphy and the present NEB Board members resign.

But she does not wish the NEB to be told that they are to lose British Leyland as well; nor should this be included in the statement in the House. She feels that it would be a mistake to remove British Leyland from the NEB's responsibility at the present time. This would, in her view, provoke a further row between British Leyland management and the trade unions, which British Leyland can ill afford at the moment; it would remove a "buffer" between Government and British Leyland which in present circumstances may be quite helpful; and it would make the NEB Board's position appear rather less unreasonable if they do decide to resign. But in any case, the Prime Minister considers that, before a decision is taken on the future relationship between British Leyland and the NEB, the matter will have to be discussed collectively.

I understand that Sir Keith proposes to announce the appointment of Sir Frank McFadzean in his statement. The Prime Minister has no objection to this, though she hopes that it may be possible to announce the appointment of Mr. Morgan as chief executive at the same time. While

she understands that it may not be possible to settle Mr. Morgan's appointment in time for the statement, she believes that the overall package would have greater credibility if the two appointments could be announced together.

I am sending copies of this letter to the Private Secretaries to the members of MISC 22, and to Martin Vile (Cabinet Office).

Tom en.

Tin Lark.

Ian Ellison, Esq.,
Department of Industry.

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