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cc Martin Wie  
David Wolfson  
John Hoskyns

copy: Miss Porter

10 DOWNING STREET

From the Private Secretary

29 October 1979

ROLLS ROYCE

When Sir Keith Joseph called on the Prime Minister this afternoon, he reported briefly on Rolls Royce. Following the Prime Minister's meeting with Sir Arnold Weinstock last week, Sir Arnold had telephoned to confirm that GEC were very willing to assist Rolls Royce on the lines proposed at the meeting; but he felt that the arrangement was unlikely to work. In particular, if Mr. Morgan became Chief Executive, it seemed unlikely that he would either wish or be able to call in GEC as consultants, and it also seemed very unlikely that he would get on with Sir Kenneth Keith.

Against this background, he (Sir Keith) had seen Sir Frank McFadzean and had asked him on a totally non-committal basis if he would be interested in the chairmanship of Rolls Royce. Sir Frank had said that he would be interested in principle, and that he would also be interested in combining the job with the chairmanship of the NEB. He had not told him about the plan to bring in Morgan and GEC; this would still be a possibility, though as an alternative McFadzean might himself bring in a top Engineering Executive of his own choice.

The Prime Minister said that she was content for Sir Keith to sound out McFadzean further, but she did not think it would be possible for him to combine the chairmanship of Rolls Royce with that of the NEB as long as Rolls Royce reported to the NEB. This would surely involve a conflict of interest. Sir Keith said that he would consider this point further.

T. P. LANKESTER

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