



DEPARTMENT OF INDUSTRY  
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PS/Secretary of State for Industry

21 November 1979

Tim Lankester Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW 1

*Alan Turing*

NEB AND ROLLS ROYCE

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As promised, I enclose a copy of the statement which my Secretary of State intends to make to Parliament this afternoon. In addition, you will wish to be aware that my Secretary of State is speaking personally to each member of the resigning Board in order to maintain personal contacts. He also intends to write to Mr Murray at the TUC emphasising his hope that the repercussions on relations between the Government and the trade union movement will not be too adversely affected by today's decisions.

I am copying this letter and enclosures to the Private Secretaries of MISC 22, John Wilson (in view of his Secretary of State's First Order PQs this afternoon), Petra Laidlaw, Charles Cumming-Bruce and Martin Vile.

*Yours ever  
Peter*

PETER MASON  
Private Secretary



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 Original on:  
 Ind P8: Rolls Royce:  
 PT 2

TEXT OF A STATEMENT BY THE RT HON SIR KEITH JOSEPH BT MP,  
 SECRETARY OF STATE FOR INDUSTRY, WEDNESDAY 21 NOVEMBER 1979.

With permission Mr Speaker, I should like to make a statement on the relationship between the National Enterprise Board and Rolls Royce.

I have had in recent months to consider the relationship between the NEB and Rolls Royce in the light of evidence of some friction over a considerable period. I have concluded that the friction is not a passing problem of personalities or a difference of opinion on the management of the Company but is inherent in the relationship and would tend to survive a change of management.

Rolls Royce is a company of a scale and importance such that the supervision of its Board by another board, however eminent and accomplished, is bound to give rise to strain.

Moreover it is a company with which inescapably Government has exceptionally close connections and where important decisions lie directly with Government.

I therefore decided that in view of these two considerations, from which there is no escape, it would not be right to paper over the cracks but rather to plan to remove the source of the difficulty. Clause 2 of the Industry Bill now before the House will give me power to direct the NEB to transfer its shareholdings in Rolls Royce to the Secretary of State, and I told the NEB of my intention to make such an order as soon as the Bill becomes law. This decision was in no sense whatsoever a reflection on the members of the NEB or their staff. Rather, it is a judgement that the role they had been given in relation to this major company was in the last analysis not an appropriate one.

/When I expressed ...



When I expressed to the NEB my intention I was told categorically that were I to adhere to my proposal all the members of the Board would resign. I was asked to re-consider. This I did.

Yesterday I told the Board that I did adhere to my proposal. The House knows that the Chairman, Sir Leslie Murphy, and all the members of the NEB have resigned from their posts. I have accepted their resignations with regret. The Board was composed of distinguished people from business and trades unions who co-operated together to serve the country with dedication. I hope this form of co-operation will become possible in the new Board.

The NEB has as the House knows important disposals to arrange and other continuing tasks to perform. It will have a catalytic investment role especially in connection with advanced technology and increasingly in partnership with the private sector; as well as its regional and small firms roles.

I am glad to tell the House that Sir Arthur Knight, Chairman of Courtaulds Ltd, has accepted my invitation to take over the Chairmanship of the NEB with immediate effect. Sir John King, Chairman of Babcock International Ltd, has accepted my invitation to become Deputy Chairman and five other persons have similarly indicated their willingness to serve:

- Mr Robert Clayton - Technical Director of GEC
- Mr Alec Dibbs - Deputy Chairman of National Westminster Bank
- Mr George Jefferson - Chairman and Chief Executive of British Aerospace, Dynamics Division
- Mr Dennis Stevenson - Chairman of Peterlee and Newton Aycliffe New Towns
- Mr John Caines - Secretary to the NEB

I am deliberately leaving some places vacant. I have today written to the TUC about this.



3.

The House will wish to know that following the recent announcement that Sir Kenneth Keith wishes to retire from the chairmanship of Rolls Royce after 7 years service Sir Frank McFadzean has indicated his willingness to accept appointment as chairman.