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Dr. Knight



I am rather worried about the letter. It must bear in mind that it may back. Have tried to change the drafting accordingly. Are we going to delay decision or announce?

Are you content with what Sir Keating proposes (which seems OK)?

PRIME MINISTER

POSSIBLE TRANSFER OF BL FROM THE NEB'S RESPONSIBILITIES

I thought that I should let you know of a recent development concerning the possible transfer to me of the NEB's shareholding in BL.

Until recently, I had been intending to put to E Committee a paper proposing that the NEB should be relieved of their responsibility for BL at the same time as they lose the responsibility for Rolls Royce, namely before the summer recess of Parliament. However, the Board of BL decided at their last meeting to ask me to postpone a decision on the transfer until later in the year. Their main reason for this was that the transfer, which would seemingly bring BL into greater dependence on Government, could, if carried out now, seriously harden their workforce's attitude to pay negotiations in the forthcoming pay round, which is likely to reach a crucial stage in November. There are also technical reasons concerning some of BL's medium-term borrowings, on which I have corresponded with the Chief Secretary, which lead me to conclude that any transfer could not take place before the recess.

As you know, Sir Arthur Knight has been pressing (most recently



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in his statement in the NEB's 1979 Report and Accounts) to be relieved of responsibility for BL. NEB staff have indicated to officials in this Department that it would help to reconcile Sir Arthur to a postponement of the Government's decision on this matter if I were to write to him. This I propose to do, on the lines of the attached draft, without committing the Government to the eventual decision which Sir Arthur wants.

If questioned in the House at the time of the Rolls Royce transfer about the Government's intentions in respect of BL, I would say that the matter was still under consideration. If questioned when Parliament reassembles in October (when BL's next Corporate Plan should be available) I would be able to take the line that the Government statement on a transfer could most sensibly be made at the same time as the Government announced its decisions on the Corporate Plan.

I should be glad to know whether you and other colleagues on E Committee, to whom I am copying this minute, are content with my proposed letter to Sir Arthur Knight.

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K J

2 July 1980

Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1E 6RB



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DRAFT LETTER FOR THE SECRETARY OF STATE FOR INDUSTRY TO  
SEND TO:

Sir Arthur Knight  
Chairman  
National Enterprise Board  
12-18 Grosvenor Gardens  
LONDON  
SW1

BL

Since our correspondence at the end of December last year on the relationship between your Board and BL, my officials have been considering the implications of the transfer of the shareholding of BL from your Board. I have noted in particular the views you have expressed on this aspect in your 1979 Report and Accounts.

The Industry Bill received Royal Assent on 30 June and this of course provides the statutory framework for such action.

Although it is my provisional intention that the shareholding in BL should be transferred to me there are technical reasons, concerning the details of some of BL's borrowings, which lead me to conclude that the actual transfer cannot take place before the recess. By the time Parliament <sup>re-assembles</sup> we shall

expect to be considering BL's next Corporate Plan, and I am of the view that any <sup>decision</sup> ~~statement~~ on a transfer could most sensibly

be made at the same time as the Government announces its ~~findings~~ <sup>findings</sup> ~~decisions~~ on the Corporate Plan. (You will appreciate that I

am therefore talking about the end of this year.) In the

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*Sorry -  
delayed  
in part  
over time*





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meantime, I should be grateful if the NEB could continue to manage the shareholding, and continue to rely on the advice of officials in my Department in this, recognising that NEB staff are now increasingly involved in other duties. My officials will discuss with yours before the summer recess any necessary arrangements.

I am sure you will also appreciate that the events of the next few months, and the content of BL's next Corporate Plan, may create a different situation with regard to the transfer. I wish to assure you that, if this were the case, I would consult you as a matter of priority.