A.

Prime Minister

11th November 1980

Industry Bill:
Financial Limit for British Leyland

1. I am sorry to report a disagreement between the Commons Managers on one side and the Department of Industry and the Treasury on the other at this morning's session of the Legislation Committee in their discussion of the Industry Bill. The disagreement related to those provisions in section 1 of the Bill which are designed to increase the statutory financial limit for the National Enterprise Board. In reality the increase relates solely to the provisions for British Leyland.

2. The arguments for the two respective viewpoints are nicely balanced, and do not permit of compromise. It is necessary to introduce the Bill into the House of Commons at the start of the new session if its provisions are to become law before the present financial limit is exceeded. In practice this means next March. The trouble arises from the fact that the Government is not yet in a position to decide on a final figure, and will not be able to do so until Ministers have taken a view on BL's corporate plan. This means about the turn of the year. In the meantime, some figure has to be included in clause 1(1) on introduction. In the nature of things any figure must be unreal, and will have to be altered at earliest in Committee more probably at Report. The disagreement is whether the figure to be inserted on introduction is a token (e.g. £1 million), or a genuine estimate but at the lower end of the range of possibility.

3. The Minister of State, Department of Industry, and the Financial Secretary, Treasury, argued for the proposal in the memorandum by the Secretary of State for Industry (L(80)63). This was to include in the Bill only a token figure of £1 million. If this suggestion were adopted the House of Commons would be told that the Government would seek to amend the Bill by substituting a higher figure probably during the Report Stage. In their view to insert anything other than a nominal figure at the onset would prejudice the Government's eventual decision about the finance and future of BL and might make the task of dealing with the present industrial relations there more difficult.

4. The business managers did not think this course would be acceptable to the House. It would be particularly strongly criticised by those who have been pressing the House to exercise a more effective financial control and asking for the establishment of the proposed new Procedure Committee on Supply. At the minimum, the Government would have to find time for a separate debate on the floor of the House about the finance of BL, and the passage of the Industry Bill might well be delayed. In ~~their~~ the Managers' view the right

course was for the Government to decide on, and include in the Bill, a figure that would appear to the House to be realistic, even though it might have to be amended later. It would be for the Ministers concerned to suggest what the figure might be, but to have a manifestly unreal figure would not only highlight the Government's uncertainty, but give rise to the criticism that the House was being asked to give a second reading to something they knew to be completely undecided.

5. Since this division of opinion concerns the principle of the most important provision in the Bill, it was not possible to find a compromise. In the circumstances, rather than bring the matter to the full Cabinet, you might think it best to discuss the matter with colleagues most directly concerned: the Chancellor of the Exchequer, the Secretary of State for Industry and the Commons business managers. The various Ministers who attended Legislation Committee held briefs which did not admit of compromise. The majority of members were unable to express a worthwhile opinion in the face of views so manifestly divergent which did not affect their departments.

6. I should add that the Minister of State, Department of Industry, expressed his willingness to drop from the draft Bill certain provisions in clause 6 giving statutory cover for the payment of grants for such matters as the improvement of links between Education and Industry, following up the Finniston Report. He warned the Committee that there might be criticism from the Public Accounts Committee if these grants continued to be paid through the Appropriation Acts. The omission will, however, make it likely that the Bill will be certified as a Money Bill, thus shortening its passage through the House of Lords. This is important, not only because of the deadline for obtaining Royal Assent for this Bill, but also because of the general pressures on next session's legislative programme that are becoming increasingly apparent to the business managers in both Houses. The change will save according to the Lord President of the Council two weeks of Parliamentary time in the Lords, and I was extremely grateful to the Minister of State for making this concession.

I am sending copies of this minute to the Members of E and L Committees and to Sir Robert Armstrong.

H: of St M.

Lord Chancellor's Department,
House of Lords.