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PRIME MINISTER

INDUSTRY BILL: FINANCIAL LIMIT FOR BRITISH LEYLAND

with MS

I have seen a copy of the Lord Chancellor's minute to you of 11 November about the disagreement at yesterday's Legislation Committee over the provision for BL in the Industry Bill. I welcome his proposal for a meeting to resolve this. Since the Bill will need to go to print by the end of this week, if it is to be introduced at the beginning of the new session, you may feel it would be best if we met immediately after Cabinet tomorrow.

2 The Lord Chancellor's minute sets out the opposing views very clearly. I recognise the force of the Business Managers' objection to the inclusion of a purely notional figure of £1 million in the Bill. However it is public knowledge that the BL Corporate Plan has only just been received by the Government and that the level of funding which its implementation would require is very substantial. I do not believe that we could justify attempting a realistic guess of an increased financial limit for BL at this stage without encouraging the belief that the Government had no serious intention of exercising effective control over the company's future. This would suggest to the Unions that further funding could be taken for granted. All this would be dangerous in the present uncertain climate of industrial relations.

3 I therefore remain of the opinion that the only sensible course is to include the notional provision of £1 million for BL

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in the draft Bill for subsequent amendment and to be quite open with the House about our reasons for doing so and about our intention of giving the House a full opportunity for a debate on BL at Report Stage. In my letter to the Lord Chancellor of 30 October which I copied to you I proposed doing this in an arranged Parliamentary Question on the day the Bill was published.

4 However I recognise the arguments of the business managers and if their view were to prevail I think we should include a round figure which would relate to the BL Corporate Plan as it stands and which would enable us to deal with BL's requirements over the next 5 years. Such a figure would be £2000 million. This would take the financial limit for the NEB to £4250 million (which could of course be reached by stages) and would take the aggregate limit for the NEB and the Secretary of State from £3000 million to £6250 million. You will recognise that these huge figures include not only Government investment in the company but private sector borrowing.

5 The Lord Chancellor's minute also refers to Adam Butler's agreement yesterday to amend some of the provisions of clause 6 of the Bill in order for it to be certified as a Money Bill. I had not recommended that course of action in my Memorandum to Legislation Committee since I did not feel the time constraints, though severe, justified treating the Lords in this way. However, in view of the strong feelings of the Lord Chancellor and the Lord President I can confirm that I am prepared to modify the Bill so that it can be certified as a Money Bill. I would however

/draw ...



draw your attention to the fact that this could arouse criticism from the Public Accounts Committee, as the Lord Chancellor has indicated in this minute.

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

Catherine Bell

K J

(Approved by the
Secretary of State
and signed in his
absence)

12 November 1980

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