

Prime Minister

Note at end.

DWS

6/9.

PRIME MINISTER

3 September 1985

DEPARTMENT OF TRADE AND INDUSTRY - THE NEXT MOVES

Now that there is a new Secretary of State, it is important to regain the initiative on British Leyland and British Steel. Shouldn't you invite Leon in for a private discussion? You cannot avoid discussing personalities, and Leon needs reassuring that his is a crucial job.

Why not ask Robert Armstrong to find an alternative Deputy Secretary job for Robin Mountfield? He is very bright and able: now that small firms, tourism and deregulation are going to DEmp, why not use his talents and broaden his experience by transferring him from DTI? He has been all too close to BL for many years.

At BL itself, it would be worth doing one or more of the following:

- a. Terminating Sir Austin Bide's contract as Chairman early and paying to do so - he is only part-time (expires, October 1986). A strong new Chairman could be appointed, to sell off the non-cars business.
- b. Following the disappointing run of results (sales and profits) and the likelihood of further cash problems this autumn, you could consider terminating Harold

Musgrove's contract at Austin-Rover, again buying it out. The way would then be open to appoint a suitable tough Chief Executive of Austin-Rover Cars.

- c. Strengthening the Austin Rover Board by the addition of Professor Bhattacharyya as a non-executive, and perhaps the return of Geoff Armstrong in a senior executive capacity.
- d. Making it clear to the Board of BL that disposal of the four-wheel drive business, the bus business, and the truck business, is expected within the next year, and that their own continued employment on the BL Board depends on success with those ventures. The latest GM promise is to tell us this month: this should be the last delay for them.

Possible names to run the Group include, in my order of preference:

Graham Day - if you don't want him for NCB.

Christopher Hogg - probably needing a new challenge after sorting out Courtaulds.

Cecil Parkinson - but there could be a row about the public sector connection of BL for an MP Chairman.

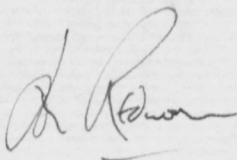
*Not permitted to take an office
paid for public funds.*

Trevor Holdsworth - had some luck at GKN, but worth considering.

Ron Halstead - if he could be tempted away from the lush pastures of Beecham.

Any new Chairman needs scope to appoint a friend or two to the Board to improve his chances of success.

At British Steel, attention needs to be redirected to disposal of peripheral businesses, and to the privatisation of the successful Phoenix operations and the other "long legs" of the business. Agreed targets and objectives for disposal should be established this autumn for the next year: Sir Robert Haslam may be persuaded to follow such an approach.



JOHN REDWOOD

Prue Thirister

- (i) John Redwood has heard that Graham Day is on head hunters' lists and may be bored with British Shipbuilders.
- (ii) Leon Brittan ^(by now) DTI will know that Haslam is likely to go to the NEC. John Redwood believes that Day would be very suitable for BSC or BL.
- (iii) Agree to discuss this and the minute generally with Leon Brittan at an early private meeting?
- (iv) Agree that Nigel Wicks or I should take up the proposal on Robin Thoutfield with Robert Armstrong?