



DEPARTMENT OF TRADE AND INDUSTRY  
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From the Minister of State for Industry

NORMAN LAMONT MP

**CONFIDENTIAL**  
**COMMERCIAL IN CONFIDENCE**

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Prime Minister ①

Context?  
(BAe shares rose 36p to 293p  
following Thorn (EMI announcement))  
AT  
15/5

15 May 1984

Yes  
mt

Dear Andrew,

**BRITISH AEROSPACE**

As you know, it is now necessary for Mr Lamont to make a statement to the House on 16 May concerning British Aerospace. I attach a copy of the draft statement, which incorporates comments from the office of the Chancellor of the Exchequer.

I am copying this letter and enclosure to the offices of the Lord President, the Chancellor of the Exchequer, the Foreign Secretary, the Secretary of State for Defence, Mr Biffen, Lord Denham and Lord Belstead. I should be grateful for urgent comments by 11.00 am tomorrow.

Yours ever,

Kate Rhind

KATE RHIND  
Private Secretary

RAFT STATEMENT IN THE EVENT OF A PROPOSAL AGREED BY THE  
THORN-EMI AND BAE BOARDS

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I should like to make a statement about British Aerospace.

The Boards of Thorn-EMI and British Aerospace have announced that they are having talks to explore the possibility of a merger between their two companies.

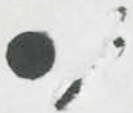
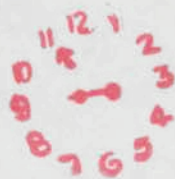
Such a merger would fall to be considered by my Rt Hon Friend the Secretary of State under the provisions of the Fair Trading Act, so that he can decide whether investigation by the Monopolies and Mergers Commission is required. No decision on this point can be reached until details of a proposal have been studied and a recommendation received from the Director General of Fair Trading.

When British Aerospace was privatised, the Government gave an undertaking that the company would not pass outside UK control. If the proposed merger is to go ahead the Government will require the new company to agree arrangements which would continue to give effect to that undertaking. The precise nature of these arrangements would need to be determined in the light of circumstances.

The Government will also require an undertaking that British Aerospace's participation in the Airbus programmes will continue.

Subject to these considerations the Government does not see any reason which would justify using its shareholding in British Aerospace to impede such a merger if it proved acceptable to a majority of the remaining shareholders.

5 MAY 1954



## British Aerospace (Merger)

3.31 pm

**The Minister of State, Department of Trade and Industry (Mr. Norman Lamont):** With permission, Mr. Speaker, I should like to make a statement about British Aerospace.

The Boards of Thorn—EMI and British Aerospace have announced that they are having talks to explore the possibility of a merger between their two companies. Such a merger would fall to be considered by my right hon. Friend the Secretary of State under the provisions of the Fair Trading Act 1973, so that he can decide whether investigation by the Monopolies and Mergers Commission is required. No decision on this point can be reached until details of a proposal have been studied and a recommendation received from the Director General of Fair Trading.

When British Aerospace was privatised, the Government gave an undertaking that the company would not pass outside United Kingdom control. If the proposed merger is to go ahead, the Government will require the new company to agree arrangements which would continue to give effect to that undertaking. The precise nature of these arrangements would need to be determined in the light of circumstances. The Government will also require an undertaking that British Aerospace's participation in the Airbus programmes will continue.

Subject to these considerations, and to studying the details of any proposal which might emerge from the present exploratory discussions, the Government do not see any reason which would justify using their shareholding in British Aerospace to impede such a merger if it proved acceptable to a majority of the remaining shareholders.

**Mr. Peter Shore (Bethnal Green and Stepney):** This is a thoroughly bad and muddled statement and, depending on how the Minister responds to questions, possibly disgraceful as well.

Does the Minister really think that it is a reasonable use of his powers to begin the statement by dangling the prospect of putting this unwelcome bid proposal to the Monopolies and Mergers Commission and then end by saying that the Government will not use their voting power to impede such a merger? That is an astonishingly passive approach by the Government in an industry in which they have the major responsibility.

Does the Minister think it sensible to allow a firm, albeit a successful one, that is involved in colour television and video and in marketing various pop groups to have the responsibility of looking after the development of Britain's largest company in civil and military aviation, in missile technology and in the space satellites? Does he think that there is the experience, expertise, skills and management in the proposed takeover firm, and the long-term commitment to the success of the British aerospace industry that any such ownership must necessarily have?

The Minister referred to the fact that when British Aerospace was privatised, some undertakings were not only given but written into the articles of association to prevent any large proportion of the shares of that firm falling into foreign hands. The ceiling figure was given as 15 per cent. Although he referred to them, he gave no repetition of those undertakings. I press him, if he is

contemplating any change in ownership, to ensure that the same strong defences against foreign ownership are built into any articles of association and any agreement that is reached.

Another undertaking was given at the time of privatisation that I shall draw to the Minister's attention because it does not feature in his statement. It was in the form of a public letter written by the then Secretary of State for Industry, the right hon. Member for Leeds, North-East (Sir K. Joseph). He said:

"Following the offer for sale HMG does not intend to sell any more of its shareholding in the company for the foreseeable future. HMG has also made it clear that, in any event, it intends to retain a shareholding conferring more than 25 per cent. of the voting rights ordinarily exercisable in general meetings."

Will the Minister give a renewed undertaking that the words spoken in good faith by his right hon. Friend the previous Secretary of State for Industry still stand? If not, we shall certainly want to bring him to account. There will have to be a major debate in the House, because one cannot give such major undertakings and lightly abandon them.

I remind the Minister that the undertakings were given on 48 per cent., on not selling more in the foreseeable future and on the absolutely irreducible minimum of 25 per cent., because, although the Government do not wish to intervene in day-to-day matters, the overall strategic control of an industry vital to Britain's defence and future in aerospace must remain under Government control.

**Mr. Lamont:** The right hon. Gentleman is somewhat over-reacting. The first point is that these are only proposals. Talks are still going on, and we will have to see what will emerge from them. The second point is that we made it clear when British Aerospace was to be privatised that we would not interfere with the day-to-day commercial decisions that have to be made by the company. The third point, as I implied in my statement, is that the Government's position, subject to the requirements that I listed being satisfied, is essentially a neutral one. If those considerations are satisfied, we do not see any reason why the merger should not go ahead. It would be wrong for me, in advance of the Director General of Fair Trading having looked at the proposal—he has wide terms of reference and takes into account the national interest—to comment on the industrial merits of the proposal.

As to the shareholding in 1980, our commitment was that for the foreseeable future we would maintain the present holding at the same level. It was made clear by my hon. Friend the Minister of State, Northern Ireland Office, that that commitment to the 48 per cent. level applied for about a year. It was, however, made clear that we intended to maintain—

**Mr. Peter Shore rose—**

**Mr. Lamont:** Perhaps if the right hon. Gentleman will listen.

—we intended to maintain voting rights of more than 25 per cent. in the company. When a company becomes merged with another company, obviously the device of a 25 per cent. shareholding in the original company which merges would be overtaken by the new situation. The purpose of our shareholding was to ensure that control of British Aerospace remained firmly within the United Kingdom, and that commitment still applies. If this proposition comes about, we must look for the mechanism

by which that position will be safeguarded. It has been made clear time and time again that we intended to reduce our shareholdings in BAe below 48 per cent. Indeed, my right hon. and learned Friend the Chief Secretary said that at the time of the Budget debate about public sector shareholdings. The commitment against foreign control remains, very firmly.

**Mr. Michael Grylls** (Surrey, North-West): Does my hon. Friend accept that the British Government have been well served by an efficient and competitive defence industry, in which, until 1977, the Government had no shares? Ownership of shares is, therefore, by no means necessary. Will my hon. Friend give a categorical assurance that he will do nothing to interfere in the proper workings of the market in relation to this proposed bid and will simply act as any other shareholder?

**Mr. Lamont:** My hon. Friend is right. There are many important defence companies in this country which are efficient and competitive and in which the Government do not have a shareholding. There is no reason why the Government should have a shareholding in them. I have listed the matters about which the Government are rightly concerned. It would be wrong if the Government used their shareholding to force on other shareholders a view to which they were opposed.

**Mr. Bruce Millan** (Glasgow, Govan): Is it not clear that, as the Government presently have 48 per cent. of the shareholding, the merger can go ahead only with positive Government encouragement and approval? Is it not therefore irresponsible for the hon. Gentleman to say that the matter will be left to the other shareholders, especially in view of the undertakings given at the time of denationalisation—which, in the light of this statement, may soon be breached by the Government?

**Mr. Lamont:** I do not think that it is irresponsible. This company has been privatised, and it is wrong to go on treating it as though it were in the public sector. We have listed our specific concerns, and they will be considered. It would be wrong at this stage to take a view, as the Opposition seem prepared to do, against the proposal, even if those criteria could be satisfied.

**Mr. John Wilkinson** (Ruislip-Northwood): I remind my hon. Friend that the companies with which British Aerospace must compete on the world market are highly diversified corporations of the stature, scale and scope of the United Technologies Corporation and the General Dynamics Corporation? Is it not the case that, if BAe is to have an expanding and prosperous future, it must benefit from the cash flow that will accrue from the market-oriented consumer goods of Thorn and the complimentary of the electronics warfare and electronic satellite technology of Thorn-EMI?

**Mr. Lamont:** I note what my hon. Friend has said. He will have noted what the chairman of Thorn-EMI said publicly about the proposed merger. I have said—I do not wish to go beyond what I have said—that it is improper for me to comment on the industrial merits when the matter falls to be examined by the Director General of Fair Trading.

**Mr. Malcolm Bruce** (Gordon): The Minister is suggesting that the Government do not even have the legitimate view about the deal that any shareholder would have. Given that the Government are the major

shareholder in this proposed merger, it is surely right for the House to expect the Minister at least to exercise the best commercial judgment on behalf of the taxpayers for whom he holds those shares. Will the Minister give an assurance that the Government will assess the commercial benefits from such a merger before making any decision on whether those shares should be put into such a deal?

**Mr. Lamont:** The hon. Gentleman ignores what we said in the prospectus at the time British Aerospace was privatised. It was made crystal clear that

"HM Government does not intend to use its rights as a shareholder to intervene in the Company's commercial decisions."

The company is in the private sector. The Government are concerned with the Airbus programme, defence, competitive aspects, the matters to be considered by the Director General of Fair Trading and, above all, aspects of foreign control. It is wrong to impose views on other shareholders if the Government are satisfied about those considerations.

**Mr. Michael Marshall** (Arundel): Does my hon. Friend agree that one of the aspects about the shareholding that is perhaps rather special, is the shares held by employees? Does he accept that the success of the shareholding scheme and the continued interest of the employees in adding to their shareholdings through the save-as-you-earn scheme should be taken into account? If it is in the best interests of the shareholders and employees to go ahead with the merger, I hope that my hon. Friend will add an enthusiastic voice to that development.

**Mr. Lamont:** The employee shareholding is an important consideration. I am not sure of the exact figure, but about 4 per cent. of the shares are held by employees. Under the law, the same offer must be made to them as to other shareholders. They will have the opportunity to participate in any decision about the future of their company.

**Mr. Lewis Carter-Jones** (Eccles): Is it in the national interest and in the interests of competition to have a set-up in which the avionics industry is tied closely to the airframe industry? Will not that present a risk to the security of Britain? Will it not put certain of our prominent avionics industries at grave risk?

**Mr. Lamont:** The defence aspects will be considered by my colleagues in the Ministry of Defence. If the hon. Gentleman was hinting that in a competitive sense it is unhealthy for a company with interests in the avionics industries to be tied to an airframe manufacturer, I can assure him that that consideration will be borne in mind by the Director General.

**Mr. Andrew MacKay** (Berkshire, East): Will my hon. Friend confirm that if the merger takes place the Government will continue with launch aid for civil aircraft projects at the current levels?

**Mr. Lamont:** Launch aid is available for companies in the private sector, regardless of the structure of the company. As British Aerospace will remain in the private sector, it will continue to be eligible for launch aid.

**Mr. George Park** (Coventry, North-East): Will the Minister now answer the question asked by my right hon. Friend the Member for Glasgow, Govan (Mr. Millan)? As the Government are still the major shareholder, is not the

[Mr. George Park]

House entitled to be told the Government's assessment of the proposal? The Minister should not adopt such a stand-back-at-arm's-length attitude.

My right hon. Friend the Member for Bethnal Green and Stepney (Mr. Shore) questioned the competence of those endeavouring to take over British Aerospace. Are we supposed to believe that, despite the importance of the industry, the Government have made no assessment of the competence of those wishing to take over BAC to carry on its work and to develop it further, in the way that we all want? The Minister must answer those questions.

**Mr. Lamont:** The hon. Gentleman must remember that these are early days. No detailed proposition has yet been put forward. We must await the details if such a proposition emerges. The hon. Gentleman must also remember that the company has been privatised. We said again and again that we did not intend to use our shareholding to interfere in commercial matters. The hon. Gentleman may wish that British Aerospace was still in the public sector, but it is not. We must not behave as though it were a pseudo-public sector company.

**Mr. Michael Stern** (Bristol, North-West): While I welcome that part of my hon. Friend's statement relating to the future of the Airbus, is he prepared to use the Government's influence to ensure that the continued involvement of the company in future civil airline projects is at least encouraged under any structure that emerges from the merger?

**Mr. Lamont:** I am sure that my hon. Friend knows that the Government are a guarantor of the development costs of British Aerospace in the Airbus programme. Obviously, the Government will want to be satisfied that those commitments are honoured. That will be a major consideration in the Government's mind. Although that applies to the A300 and the A310, there is no such guarantee for the A320, because the inter-governmental agreement has not yet been signed. As regards a future project, as I said to my hon. Friend the Member for Berkshire, East (Mr. MacKay), any public or private sector company is eligible for launch aid under the terms of the legislation.

**Mr. Tam Dalyell** (Linlithgow): How else are we to interpret the answer given to my right hon. Friend the Member for Glasgow, Govan (Mr. Millan) other than that the Minister and his Government colleagues are now willing to tear up the undertakings that they gave on the occasion of British Aerospace's privatisation? Are they not tearing up their own undertakings?

**Mr. Lamont:** I am not sure whether the hon. Gentleman is advocating that if the merger takes place the Government should go into the market place and buy 25 per cent. of a much bigger company. We gave the undertaking—

**Mr. Dalyell:** You are breaking it.

**Mr. Lamont:** —to safeguard the future of British Aerospace against a foreign takeover. That commitment still applies. The mechanism by which it is achieved is something that we will have to consider in the light of the circumstances that may develop.

**Mr. Tom Sackville** (Bolton, West): Does my hon. Friend agree that, in view of the fact that British Aerospace

is relatively cash-short in the context of the major developments that it wishes to undertake, we should give every possible consideration to a merger with a highly prestigious British company which does not just sell at more than twice the multiple of British Aerospace but has a strong projected cashflow?

**Mr. Lamont:** I note what my hon. Friend says. He is echoing some of the words that have been used by the chairman of Thorn-EMI. If I were to comment upon them, I should be anticipating the consideration that the Director General of Fair Trading is giving to the matter.

**Mr. Andrew F. Bennett** (Denton and Reddish): Is the Minister aware that the rumours in the press and his statement in the House will have caused a great deal of anxiety to all those people who work in British Aerospace? Why did he not give a guarantee that their jobs would be safeguarded in any possible merger? Will he now make it clear to the House that the Government will use their shareholding to ensure that there are no further redundancies in the industry as a result of this possible merger?

**Mr. Lamont:** Of course I appreciate that these matters cause anxiety. As the hon. Gentleman may be aware, there is a large British Aerospace factory in my constituency. One would not give any guarantee about jobs in British Aerospace, whether or not the merger had been proposed. There is some uncertainty.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. We have a heavy day ahead of us, but I will call the hon. Members who have been rising, if they will keep their questions brief.

**Dr. Jeremy Bray** (Motherwell, South): Is the Minister sufficiently confident of the track record of Thorn-EMI in its management of advanced technology companies that it has taken over in recent years for him to allow his interests as a British Aerospace shareholder to be possibly prejudiced by such a merger?

**Mr. Lamont:** As I have already told the House, the considerations that the Director General can employ are wide and relate to the national interest; on previous occasions considerations of the adequacy or otherwise of management have fallen under the scrutiny of the Director General of Fair Trading. I cannot go beyond that; that would be to anticipate his examination.

**Mr. Anthony Beaumont-Dark** (Birmingham, Selly Oak): Does my hon. Friend accept that there may well be a great deal of sense in the merger, although if I were a Thorn-EMI shareholder I would not touch it with a bargepole? Will he give us two undertakings in this matter—first that the Government will not consider the profit made out of their 48 per cent. holding as the main criterion—as to whether the merger should be allowed. Secondly, bearing in mind the doubtful synergy in these two companies merging and the fact that he has referred many other companies to the Monopolies and Mergers Commission, surely the huge size involved means that, for propriety to be seen, the matter should be gone over by the Monopolies and Mergers Commission to ensure that justice is done to all concerned?

**Mr. Lamont:** I am sure that the second point will be in the front of the mind of the Director General of Fair Trading. On the first point, I can give my hon. Friend the

assurance that he seeks. The Government did not bring this proposition about: it happened. Therefore, I do not believe that the Government can be accused of having tried to bring it about for financial reasons.

**Mr. Ernie Ross** (Dundee, West): With 48 per cent. of the shares, the Minister must accept that he has a responsibility not just to the employees but to the national interest, and must give some consideration to, and make some statement about, the competence of a company that has been involved mainly in consumer electronics attempting to take over British Aerospace.

**Mr. Lamont:** I have already said that the Government are concerned about the possibility of a foreign takeover. We are concerned about the continuation of the civil aerospace programme, for which launch aid has been given. We are also concerned about various defence matters. The points about the wider national interest will be considered by the Director General of Fair Trading and it will then be for my right hon. Friend to decide whether a reference to the Monopolies and Mergers Commission is appropriate.

**Mr. Rob Hayward** (Kingswood): Is this not an unnatural merger? In the effort of trying to merge these two companies, will not harm be done to the prospect of British Aerospace improving its productivity, as it has done in the past few months and as the Government have encouraged it to do?

**Mr. Lamont:** I am not sure what my hon. Friend means by an unnatural merger. Mergers occur all the time as part of the process of restructuring and change in British industry. There are certain national interest considerations that we will consider but, subject to those being satisfied, it must be for the other shareholders to make up their minds, without having a solution imposed upon them by the Government. That would be appropriate for a private sector company.

**Sir Kenneth Lewis** (Stamford and Spalding): Is not my right hon. Friend aware that when the merger was mooted yesterday in the press the signs were clear that it was in the early stages and that tentative discussions were taking place? Is my right hon. Friend further aware that his statement today will lead people to assume that the matter has gone much further than it has? In any case, now that a statement has been made, the Government should get on with the matter quickly and let us know the proposals.

The second question that I should like to ask—

**Mr. Speaker:** Briefly.

**Sir Kenneth Lewis**—is whether my hon. Friend can advise me whether the Government shareholding in the new takeover—whoever is taking over whom—will be at the same ratio as for the British Aircraft Corporation.

**Mr. Lamont:** I agree with my hon. Friend that it would be desirable for the matter to be resolved as soon as possible, which would remove uncertainty. At our end, we shall endeavour to act as quickly as possible.

On my hon. Friend's second point, I am afraid that I cannot give him the undertaking that he seeks. We wish to retain a mechanism to ensure British control, whether that means a 25 per cent.-plus shareholding or some other device. We need to consider the matter.

**Mr. Timothy Wood** (Stevenage): Although I have some reservations about the suggested merger, I hope that the Minister will bear in mind the fact that the initial comments from the Opposition Front Bench are regarded as nonsense by many of my hon. Friends. I hope, however, that the Government will pay particular attention to ensuring that our developments in high-technology industries are enhanced in such a merger and that the competitiveness that we need in such areas is improved rather than reduced.

**Mr. Lamont:** I note what my hon. Friend says.

**Mr. Peter Thurnham** (Bolton, North-East): Does my right hon. Friend consider that the proposed merger would improve the ability of British Aerospace to compete in world markets? Have the Government considered linking acceptance of the offer with the sale of Rolls-Royce?

**Mr. Lamont:** As I have said over and over again in the House, I do not want to be drawn on the industrial merits of the merger. I have listed the criteria to which we attach importance. I have also said that the Director General of Fair Trading is entitled to investigate the merger on a wide basis. He will be submitting his views to the Secretary of State.

**Mr. Shore:** The Minister is confusing himself and the House about two quite separate guarantees that the then Secretary of State gave to the House three years ago when he announced privatisation. Will the Minister confirm that, in respect of foreign producers, he will not allow shares in a merged firm to be held at more than the 15 per cent. limit that was imposed on British Aerospace?

Secondly, in respect of ensuring the national interest in areas of defence and aerospace, will the Minister repeat his right hon. Friend's statement in 1981 that we will retain 25 per cent. of the total shares?

**Mr. Lamont:** The purpose of the 25 per cent. shareholding on which we gave an undertaking was to ensure that there could not be a foreign takeover of the company.

**Mr. Beaumont-Dark:** That is separate.

**Mr. Lamont:** No, it is not separate. It is linked. The 25 per cent. was retained so that the articles of association of the company could not be changed and it was written into the articles of association that foreigners together could not own more than 15 per cent. of the company. The two matters were linked and acted together. That was the purpose of the 25 per cent. shareholding, and the 15 per cent. requirement was linked with it. The purpose of the two together was to prevent a foreign takeover of what was seen as a vital British interest.

In a new situation and a much larger company we cannot necessarily just replicate the same arrangements if the merger takes place, but I hope that the right hon. Gentleman will accept my assurance that we wish to have similar safeguards to prevent the takeover of a vital British national interest and that we shall be considering the most appropriate way to achieve that object if the merger goes through.



## Cammell Laird (Redundancies)

4 pm

**Mr. Frank Field** (Birkenhead): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the announcement of possible redundancies of up to half the Cammell Laird work force."

The request is specific because it relates directly to the redundancy announcement made last night, it is important because the announcement affects a whole army of my constituents and their families who depend on work in the yard, and it is urgent because redundancies on such a scale raise the question of the future of the whole yard. I hope, therefore, that the request falls within the guidelines by which you, Mr. Speaker, are guided.

I wish to mention two other matters. First, a debate on this issue would allow me to stress to the two sides, who are still negotiating, about the implementation of flexible working arrangements, the importance of reaching agreement very soon. Secondly, it would allow the House to question the Government on their corporate plan for the future of British shipbuilding.

For all those reasons, I hope that you, Mr. Speaker, will be able to grant my request.

**Mr. Speaker:** The hon. Member for Birkenhead (Mr. Field) asks leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely, "the announcement of possible redundancies of up to half the Cammell Laird work force."

I do not underestimate the hon. Gentleman's concern about this important matter and I have listened carefully to what he has said, but I regret that I do not consider the matter that he has raised to be appropriate for discussion under Standing Order No. 10 and, therefore, I cannot submit his application to the House.

## Local Authorities (Prevention of Expenditure on Party Political Advertising)

4.2 pm

**Mrs. Angela Rumbold** (Mitcham and Morden): I beg to move,

That leave be given to bring in a Bill to prevent local authorities from incurring expenditure on advertising for party political purposes.

The Bill would add to sections 137 and 142 of the Local Government Act 1972 a subsection stating:

"Nothing in this section shall permit expenditure upon any advertisement or publicity material designed directly or indirectly for party political purposes."

Section 137 gives local authorities power to spend up to the product of a 2p rate on purposes not otherwise authorised by statute. It thus allows local authorities to give grants to any organisations that they deem to be worthy. As no substantive challenge has been made to the terms of the section through the district auditor or the local government ombudsman, at present money can be used for purposes such as supporting to the tune of about £35,000 a celebration for the centenary of Karl Marx and providing more than £30,000 for the Waltham Forest police monitoring group, the aim of which was to oppose the local police and £21,712 for Women in Greenwich. Similar amounts have been granted to many other organisations for similarly ridiculous purposes.

A recent example which attracted the attention of the district auditor was the allocation of money under section 137 to an organisation called Capital, described as "the trade unions and transport users organisation" which sent out propaganda for the GLC using the pre-paid post. The district auditor has requested the council to remove that money from the grant to Capital. The point of principle, not the sum of money involved, is that funds from rates and taxes should not be used for political purposes. Indeed, my hon. Friend the Member for Stirling (Mr. Forsyth) has produced a booklet entitled "Politics on the Rates" setting out a large number of similar examples.

**Mr. Frank Dobson** (Holborn and St. Pancras): How much did it cost?

**Mrs. Rumbold:** I also wish to amend section 142 of the Local Government Act 1972 to exclude advertising for purely party political purposes. At present, a local authority may provide—by whatever means it considers suitable—information relating to the services that it provides for its ratepayers. I believe that that is absolutely right. I have no wish at all to restrict the ability of local councils fully to inform their ratepayers of the way in which they spend their resources. Indeed, it is a fundamental tenet of good local government that councils should be required to explain openly the priorities that they set for local services.

The only restraint that I wish to impose on the section is on using money raised through taxes and rates for party political purposes. I believe that the emphasis on party politics in local matters has, alas, been due more than anything else to the manner in which legislation passed by this House has imposed greater and weightier burdens of responsibility and expenditure on locally elected councils.

**Mr. Tony Banks** (Newham, North-West): The truth is coming out now!

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MARKET SENSITIVE



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Secretary of State for Trade and Industry

15 May 1984

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Dear A. Turnbull,

BRITISH AEROSPACE

It is still not clear whether the Boards of Thorn-EMI and British Aerospace will issue a statement about the possibilities of a merger before 3.15pm today. As to the timing of any announcement, I shall contact you as soon as possible. It remains possible that we shall be able to make a statement today. Should an announcement be made before 2.30pm the matter may be raised at Prime Minister's questions. I attach a form of words for the Prime Minister to use if such a statement is issued.

2 In the event of no announcement by the companies, but where leaks or rumours are circulating, the Prime Minister could say she is not aware of any announcement by the companies concerned, but that the possibility of any merger of such a size would raise questions for the Government to consider under the Fair Trading Act and in other ways.

Yours ever,  
Andrew Lansley

ANDREW D LANSLEY  
Private Secretary

JH3AHX



10 DOWNING STREET

Prime Minister

To note that an announcement  
by Thorn (EMF and BAE) is  
possible tomorrow. If it does  
go ahead, you will need  
briefing for Question Time,  
though you will probably  
want to deflect questions to  
the statement.

AT

1415

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Secretary of State for Trade and Industry

14 May 1984

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

MT

Dear Andrew,

BRITISH AEROSPACE

I regret that it is not yet clear whether it will be possible for Mr Lamont to make a statement to the House tomorrow concerning British Aerospace. We believe that it will become clear whether such a statement can be made at, or shortly after, 11.30am, following the British Aerospace Board meeting which is to commence at 10.00am. We see advantage in being prepared to make a statement if it is possible to do so. To this end, a draft statement has been prepared and is enclosed.

2 I should be grateful for urgent comments by 11.00am tomorrow, 15 May, and from the Office of the Chancellor of the Exchequer, to whom I am copying this letter and its enclosure.

Yours sincerely,  
Andrew Lansley

ANDREW D LANSLEY  
Private Secretary

JH2AKP

Draft Statement in the Event of a Proposal Agreed by the  
Thorn-EMI and BAe Boards

I should like to make a statement about British Aerospace.

The Boards of Thorn-EMI and British Aerospace are having talks to explore the possibility of a merger between their two companies.

Such a merger would fall to be considered by my Rt Hon Friend the Secretary of State under the provisions of the Fair Trading Act, so that he can decide whether investigation by the Monopolies and Mergers Commission is required. No decision on this point can be reached until details of a proposal have been studied and a recommendation received from the Director General of Fair Trading.

The Government has also given an undertaking that British Aerospace will not pass outside UK control. If the proposed merger is to go ahead the Government will require the new company to agree arrangements which would continue to give effect to that undertaking. The precise nature of these arrangements would need to be determined in the light of circumstances.

The Government will also require an undertaking that British Aerospace's participation in the Airbus programmes will continue.

Subject to these considerations the Government does not see any reason which would justify using its shareholding to impede such a merger if it proved acceptable to a majority of the remaining shareholders.