

1. MR LANKESTER
2. PRIME MINISTER

I strongly support
this approach.
P.

Ind, Bl
- Yes do send it to Keith
but it does not diminish
the authority given to
him by committee
members. ref.

Rolls Royce and the NEB

1. Are there reasons for pulling Rolls Royce out of the NEB?

Answer: Yes because

(i) Rolls Royce is so big that it is slightly absurd for it to be a subsidiary of another company (NEB) which is itself in effect a nominee for the real decision-maker, owner, financier, which is Government.

(ii) Rolls Royce (unlike British Leyland) has defence, aerospace and international governmental orientation for most of its product.

2. If logic suggests a direct reporting line to Government should Government be put off this by NEB opposition? Answer: No.

3. In presenting a decision which will upset the NEB and could create difficulties with the unions, to the harm of Rolls Royce and others, we should do better to show that we have thought through and resolved the fundamental Rolls Royce management problems in total.

4. There is a need for

(a) a non-executive Chairman of considerable national and international stature

(i) to guide the Board and the Government and avoid becoming so committed to technology (à la Denning Pearson) as to be unable to see the real commercial situation.

(ii) to deal with foreign Governments and corporations at top level and give them confidence in the viability of the company. To act as a diplomat as well as a businessman.

/(b) a full-time

(b) a full-time engineering-based Chief Executive to get production, cost control, etc. right. This is a massive job 12 hours a day, 7 days a week for a year or so.

5. If in presenting his plans Sir Keith Joseph can show that we have got both the Chairman and the Chief Executive lined up, ^{AND} that they are both men of substance and support the proposed reporting structure, the NEB resignations would look considerably more petulant and less justified.

6. I do not believe that this implies a delay beyond next week, if the two prospective appointees can be brought together urgently. If they do not reach agreement we have lost nothing when we go ahead with the first appointment and announce the new reporting arrangements. If they do reach agreement our position is considerably stronger.

IF YOU AGREE THE LOGIC, SHOULD I SEND THIS TO K.J.
WITH YOUR APPROVAL?

David Welfin

15 November 1979

CONFIDENTIAL

File
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10 DOWNING STREET

From the Private Secretary

15 November 1979

ROLLS ROYCE AND THE NEB

The Prime Minister has asked me to send you for Sir Keith Joseph's attention the enclosed note by Mr. David Wolfson on Rolls Royce and the NEB. The Prime Minister agrees with the general approach of this note, although she does not wish to diminish or change the authority which was given to Sir Keith by MISC 22 yesterday.

I am sending a copy of this letter and enclosure to Martin Vile (Cabinet Office).

T. P. LANKESTER

I.K. Ellison, Esq.,
Department of Industry.

EB

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