



Secretary of State for Indust

copies to  
PS/Ministers  
PS/Secretary  
Mr Bullock  
Mr Manzie  
Mr Croft  
Mr Farrow  
Mr Mountfield  
Mr Treadgold  
Mr Leeming  
Mr McElheran

MR Loughhead (papers)

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

6 August 1980

The Rt Hon Sir Geoffrey Howe MP QC  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London W1

MBA 4 et

TZ  
7/8

See Groby.

- at flap

You will recall that in January we considered the possibility of introducing a new clause in the then Industry Bill to increase the aggregate financial limit for the Secretary of State and the NEB. We concluded that this would be undesirable because of the implications for the steel strike. With the Prime Minister's approval, we agreed instead that a further Bill should be introduced in the autumn.

2 I am now writing to seek colleagues' approval to introduce a new Industry Bill for this purpose as a matter of urgency at the start of the next session. When we looked at the likely demands on the existing limit of £3,000 million in January, I thought that this would not suffice much beyond the turn of the year. This remains the position and I very much hope, therefore, that colleagues can agree that the highest priority should be given to the early passage of the Bill.

3 Turning to the figures, in January I proposed that the new limit should be set at £4,000 million, reflecting our best estimate at that time of likely needs over the next five years. However, I emphasised that the limit was a matter of considerable uncertainty, and in the light of more up to date information now available for BL and Rolls Royce, I judge that it is necessary to set the limit at £4,750 million if we are to avoid further changes during this Parliament. Of this, £4,000 million would be equally divided between Rolls Royce and BL, with the portion reserved for the NEB's other investments remaining at £750 million as in the 1980 Industry Act.

4 A major part of the total will reflect private sector borrowing by Rolls Royce and BL and there is, therefore, no implication that there would be public expenditure of this amount. However, I recognise that an increase on this scale

/could ...





could give rise to comment from our supporters as well as from the Opposition and I have accordingly considered alternative ways of implementing the increase which might be presentationally more attractive. One possibility would be to approach the new limit by stages subject to affirmative order. However, this was the procedure adopted by our predecessors which we criticised strongly during the passage of the 1980 Act. Moreover, this approach would not disguise the level of the eventual limit. As an alternative I have also considered whether we should set a lower figure, e.g. £4,000 million, which could be increased if necessary by further legislation later in this Parliament. Again, however, I can see no advantage in putting off the decision in this way, especially as this would involve the passage of a sensitive piece of legislation in the run up to the next general election.

5 I understand that George Younger and Nicholas Edwards wish to take advantage of the opportunity presented by the Bill to increase the financial limits of the Scottish and Welsh Development Agencies and of the Development Board for Rural Wales, and that they will be putting proposals to you within the next few days. I am content that the Industry Bill should be the vehicle for this, following the precedents of the 1979 and 1980 Industry Acts.

6 George Younger has also suggested to me that the Bill could be used to take statutory powers to enable the SDA to write off NLF and public dividend capital finance that has been lost irretrievably in investments made under the previous administration. The NEB has a problem which is broadly similar in that it has incurred, or will incur, substantial losses on Herberts, Cambridge Instruments, British Tanners and Sinclair Radionics which will be only partially offset by the receipts (net of tax) from the disposals of its major profitable shareholdings. I understand, too, that the WDA is in a similar position.

7 In these circumstances I would like to propose that we should take statutory powers to write off irretrievable losses in the way that George Younger has suggested. It would then be possible for us to set realistic financial duties for the NEB and the Agencies which will establish a proper commercial framework within which their performance can be judged. Otherwise I can see no prospect of a statutory financial duty being formulated that could cope with the existing dead weight of lost capital. There are a number of technical problems which need to be settled but I suggest that we should leave these to officials to resolve. Meanwhile I would be grateful for agreement in principle to proceed in the way that I have proposed.





8 In view of the urgency of introducing the Bill right at the beginning of the next session it would be helpful to have your views, and those of colleagues, as soon as possible. Subject to comments on the points of principle, I would also be grateful for Norman St John Stevas' approval for employing Parliamentary Counsel on drafting the Bill as soon as the outstanding technical problems have been settled.

9 I am sending copies of this letter to the Prime Minister, to Norman St John Stevas, members of E Committee, George Younger, Nicholas Edwards and to Sir Robert Armstrong.

*Levin*

*Kew*

17 AUG 1980







End Pad

VMS

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

// August 1980

The Rt. Hon. Sir Keith Joseph, MP.,  
Secretary of State for Industry

*Dr. King*

INDUSTRY BILL

Thank you for your letter of 6 August in which you sought policy clearance for the introduction of a new Industry Bill immediately after the Recess.

I am content for you to introduce a Bill on the lines you propose, including provisions for raising the financial limits of the SDA and WDA if George Younger and Nicholas Edwards so desire. I am also content to leave our officials to settle the details of the write-off provisions. I would however like to reserve my position on the size of the new financial limit. Perhaps our officials could discuss this further and report back before the Bill needs to be introduced.

I am sending copies of this letter to the recipients of yours.

*2 -*  
*John*

GEOFFREY HOWE



1411 AUG 1980



Final Paid

FROM THE MINISTER FOR INDUSTRY AND EDUCATION



SCOTTISH OFFICE  
NEW ST. ANDREW'S HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

✓  
MS

The Rt Hon Sir Geoffrey Howe PQ MP  
Chancellor of the Exchequer  
Treasury Chambers  
LONDON  
SW1P 3AG

18 August 1980

INDUSTRY BILL

In George Younger's absence I am writing in response to Keith Joseph's letter of 6 August setting out his proposals for inclusion in a further Industry Bill with a view to arranging for it to be drafted in time to be introduced at the beginning of the next session.

I certainly agree with Keith Joseph that if the financial limit for Rolls Royce, BL and the NEB's remaining investments has to be increased it would be preferable to move straight to a figure of £4,750m as he suggests rather than risk having to seek further legislation later in this Parliament. I would be particularly opposed to approaching the new limit by stages subject to affirmative order. The Scottish Development Agency's financial limit stands at £500m which should be sufficient to cover expenditure until about 1984. Had the limits for the NEB and the WDA not required to be raised we would not have been seeking to increase the SDA's limit at this time but we think we should take advantage of the opportunity presented by the next Industry Bill to raise the Agency's limit to £700m and thus provide a cushion against any possibility of the limit being reached in 1984/85 when the legislative outlook might be less certain.

I am also glad to note that Keith Joseph has accepted George Younger's suggestion that we should use the next Industry Bill to take statutory powers to write off irretrievable losses. This will enable us to overcome an immediate difficulty with the SDA's inability to service and repay its borrowing from the National Loans Fund which is mainly attributable to its losses in the Stonefield Vehicle Company. It will also remove the deadweight of lost public dividend capital, again much of it due to Stonefield, whose existence, as in the cases of the NEB and the WDA, makes it impossible to set a realistic or attainable financial duty for these bodies.

I am sending copies of this letter to the Prime Minister, Norman St John Stevas, members of E Committee, Nicholas Edwards and Sir Robert Armstrong.

ALEX FLETCHER



*Ind. Bill*  
✓  
*MJS*

Y SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SWIA 2ER  
Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)



WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SWIA 2ER  
Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

*Oddi wrth Ysgrifennydd Gwladol Cymru* The Rt Hon Nicholas Edwards MP *From The Secretary of State for Wales*

18 August 1980

*De Gwynn*

I have seen Keith Joseph's letter to you of 6 August, proposing the introduction of a new Industry Bill at the start of the next session. I support the proposal and I confirm that I will wish to use the Bill to take powers to increase the financial limits of the Welsh Development Agency and the Development Board for Rural Wales.

The Industry Act 1980 deleted the provision to increase by order the financial limit of the WDA from £250 million to £400 million. It became apparent while the Act was at Committee stage early in the New Year that the current financial limit of £250 million will be insufficient to see the Agency through the life of this Parliament, particularly in view of the additional sums agreed for steel remedials at Shotton and in South Wales. For similar presentational reasons to those outlined in Keith's letter it appeared inappropriate to take action in January to increase the financial limit. I now propose, however, that the limit should be raised and, in order to avoid further changes during this Parliament, I estimate that the new limit should be set at £450 million. Similarly, I propose that the current financial limit of £40 million for the DBRW should be increased to £100 million.

Keith also proposes, as suggested by George Younger, that the Bill should be used to take statutory powers to write off irretrievable losses of NLF and public dividend capital finance. It will be desirable to take such write-off powers in respect of the WDA, whose losses are, as you know, principally attributable to the investment in Leiners.

/ I am sending copies of this letter to the Prime Minister, to Norman St John Stevas, members of E Committee, George Younger and to Sir Robert Armstrong.

*John Evans*

*Nees*

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON SW1



19 AUG 1980





CONFIDENTIAL



Chancellor of the Duchy of Lancaster

*Incl Pat.*  
PRIVY COUNCIL OFFICE  
WHITEHALL LONDON SW1A 2AT

7 August 1980

*V  
MS*

*Dear Keith*

Thank you for sending me a copy of your letter of 6 August to the Chancellor of the Exchequer about your proposed Bill to increase the aggregate financial limit for the Secretary of State and the National Enterprise Board. As you know, this Bill was accepted as essential for next session by the Cabinet and, subject to policy approval being given by E Committee, I readily give my authority for the employment of Parliamentary Counsel on the drafting of the Bill.

I am copying this letter to the recipients of yours, and to First Parliamentary Counsel.

*Yours faithfully*  
*K.*  
—

The Rt Hon Sir Keith Joseph, Bt, MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
SW1

CONFIDENTIAL



100-100000



11 1 AUG 1980