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NOTE FOR THE RECORD

Sir John King and Mr. A.H.A. Dibbs called on the Prime Minister at 1900 hours last night.

They reported to the Prime Minister that, immediately after she had left the NEB lunch that day, Sir Arthur Knight had returned to tell the other members of the board that he intended to resign. He had told them that he had spoken to Sir Peter Carey to this effect the night before. They had come to see the Prime Minister to tell her how deeply embarrassed they were that she had lunched with the board in these circumstances; and they deeply regretted that she had not been told of Sir Arthur's intended resignation in advance.

They went on to say that Sir Arthur had also announced, after her departure, that the NEB Chief Executive, Ian Halliday, had been dismissed: the board had discussed Halliday's possible departure some time ago and had decided that he should go in due course, but Sir Arthur's announcement that he should definitely resign - again coming immediately after the lunch - had also been a great surprise. Sir Arthur had also told them that he intended that Brian Willott, the Secretary of the NEB, should take over as acting Chief Executive.

Sir John King said that Sir Arthur had given the impression that, although he had apparently told Sir Peter Carey of his intentions the night before, he had waited to see what the Prime Minister had to say before taking a final decision. Mr. Dibbs, however, said that he was sure Sir Arthur had already made up his mind in advance, and that what had happened at the lunch had nothing to do with it. Nonetheless, he was naturally concerned that news of the resignation might leak and that it might be linked to the Prime Minister's attendance at the lunch. The board had agreed to keep the resignation to themselves, but there was every chance that it would get out - particularly since Halliday and Willott were aware of it - as they had been present when Sir Arthur had spoken to the board.

/ Sir John King

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Sir John King said that he was shocked that Sir Peter Carey had not informed the Prime Minister in advance, nor - apparently - Sir Keith Joseph. (It was later confirmed that Sir Keith had not been informed until yesterday afternoon i.e. after the lunch.) He and Mr. Dibbs had decided that they would stay on the NEB board for the time being until a good successor had been found. But they very much hoped that the new Chairman would be selected on the basis that it would be his job to manage the NEB's existing investments and nurse them back to the private sector where they really belonged - rather than engage in expansion, particularly into high technology, which had been Sir Arthur Knight's ambition. As they had indicated at the lunch, they did not believe the NEB was equipped to play a useful role in developing high technology industries; and they had gained the impression that the Prime Minister agreed with that. They proposed to suggest new terms of reference in the light of the steer which the Prime Minister had given at the lunch.

The Prime Minister thanked them both very much for coming to see her. She too was shocked that she had not been warned of the resignation, and she would bear in mind the points they had made about the future of the NEB.

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27 November 1980

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