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10 DOWNING STREET

18 July 1984

*From the Private Secretary*Select Committee on Trade and Industry:
British Shipbuilders Corporate Plan

The Prime Minister held a meeting this evening to discuss the demand by the Select Committee on Trade and Industry that the Chairman of British Shipbuilders should make available to the Committee by 10.00 am the following morning "the corporate plan as recommended by the Corporation to the Secretary of State for Trade and Industry, together with such other additional material which the Secretary of State has requested the Corporation to prepare and furnish him". Present were the Lord President, the Lord Privy Seal, Home Secretary, Chancellor of the Exchequer, the Secretaries of State for Trade and Industry and Transport, the Attorney General, Chief Whip and Minister of State, Department of Energy.

The Secretary of State for Trade and Industry said that the Chairman of British Shipbuilders, with his agreement, had supplied the Committee with the Corporation's original corporate plan which was based on one projected level of output, but without material on the options which the Secretary of State had requested. The Select Committee were demanding material relating to these options and the papers they were seeking would also contain information on the orders for Type 22 frigates and the future of Cammell Laird. The Committee had offered safeguards on the handling of these documents; they would be seen only by members of the Committee in the Clerk's Office and no copies or notes would be taken. This would not, however, prevent members of the Committee from using the information in cross-examination of witnesses before the Committee or as the basis for PQs in the House.

Mr. Day had originally been reluctant to take advantage of an assurance that the Government would protect him if he refused to supply the material. Unfortunately, he had told the Committee that he was withholding the information sought on the instructions of the Secretary of State and that in the absence of these instructions he would be prepared to comply. Subsequently, following discussions with the Secretary of State he had come to realise that supply of the

documents would harm the relationship with his sponsor Minister.

The Secretary of State for Trade and Industry recommended that the request of the Committee should be resisted although he acknowledged that the Committee would be likely to respond with a special report which would have to be debated early the following week on the floor of the House. He was concerned, not simply with the information involved in the present case, but that this might lead to the Committee demanding highly controversial information in relation to other nationalised industries. It was not possible to conduct the business of a sponsor department if all material passing between the Minister and the chairman of the nationalised industry was subject to disclosure. The Secretary of State for Transport and the Minister of State, Department of Energy argued that to accede to the Committee's demands in this case would create similar difficulties for the industries for which they were responsible. In discussion it was argued that papers from nationalised industries should be treated as advice to Ministers as would be the case with departmental papers.

The Lord Privy Seal and the Chief Whip said the powers of Select Committees were very wide and the Select Committee system would work only if they were operated with restraint. Regrettably that had not been so in this case. Nevertheless they advised that the Government would be unwise to challenge a motion put down by the Select Committee. The ensuing debate would become the focus for backbench discontent on a number of issues. Committee members would argue that what was at issue was whether they could be trusted to adhere to the safeguards they had offered. In current circumstances a vote could probably be won but only with the greatest of difficulty. It would be better to accede to the Committee's request in this instance but to make it clear very soon that the Government did not consider the relationship between Select Committees and Departments which had developed as being satisfactory. They believed that outside the immediate confrontation the Government could negotiate adequate understandings with the Liaison Committee on new Select Committee procedures and a vote on them could be won.

In discussion there was general support for the Secretary of State for Industry on the issue of principle but it was recognised that Mr Day's statements to the Committee made it difficult to withstand the present demand. On the other hand, the question was raised of why the Government could prevail in a discussion in the autumn if it could not prevail now. In reply, it was argued that the debate now would be about adherence to the existing

rules and whether members of Select Committees could be trusted to honour safeguards they had offered; in the autumn the debate would be about whether better conventions could be devised.

Summing up, the Prime Minister said that the meeting had concluded that Mr. Day should provide the Select Committee with the documents it had requested. The Government should, however, make it very clear that it was unsatisfactory for Select Committees to operate in this way both for the relationship of nationalised industries to their sponsor departments and for the management of the nationalised industries themselves. The Government would therefore put new proposals to the House. The Prime Minister invited the Lord Privy Seal, in consultation with colleagues, to advise on how the Government's views should be made known and on how best to go about securing new understandings with the Select Committees on their powers to call for papers.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), David Morris (Lord Privy Seal's Office), Hugh Taylor (Home Office), David Peretz (HM Treasury), Dinah Nichols (Department of Transport), Henry Steel (Attorney General's Office), Murdo Maclean (Chief Whip's Office), Ian Fitzpatrick (Minister of State's Office, Department of Energy) and Richard Hatfield (Cabinet Office). I would be grateful if this letter were retained within Private Offices and shown only to officials who need to know of it in order to carry forward the work on the revised proposals mentioned above.

Andrew Turnbull

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Department of Trade.