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PS/ Secretary of State for Industry

7 December 1979

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
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Prime Minister

I think this is a storm
in a tea-cup. But you
should be aware that Sir
Keith will have to reveal
that you met Sir Kenneth Keith
(see Fla/A).

Dear Tim

We spoke earlier today about the problems posed by Gerald Kaufman's Priority Written PQ for answer on Monday asking the Secretary of State for full details of his meetings with Sir Kenneth Keith. As you know, there has been a great deal of Opposition interest in the extent to which the Secretary of State may have broken the written concordat between the NEB, Rolls Royce and the Government which required the NEB to be informed of all meetings between the Chairman of Rolls Royce and Ministers. I attach a paper setting out in detail the exchanges which have taken place on the floor of the House and in the Standing Committee.

Since you met him to discuss his departure, I don't think it can be said to have been in breach of the concordat.

those two

In fact, it is arguable that all but two meetings between the Secretary of State and Sir Kenneth Keith - those which took place on the morning of 6 November and the afternoon of 7 November - fell within the concordat and/were in any case defensible since they concerned the proposed resignation of Sir Kenneth. However, the terms of Mr Kaufman's PQ are such that I feel sure that my Secretary of State will feel obliged also to refer to his presence at the meeting between the Prime Minister and Sir Kenneth on the afternoon of 6 November. I attach a draft of the reply to Mr Kaufman's PQ which is being submitted to my Secretary of State for approval. You should, I think, be aware that knowledge of the Prime Minister's meeting with Sir Kenneth could give rise to criticism, since it is also possible that this could be regarded as falling outside the terms of the concordat; we would suggest that in response to this we should stress that the meeting concerned Sir Kenneth Keith's personal position only.

12/19/79

Yours sincerely
Peter Mason

MATTERS RAISED IN EARLY DAY MOTION 249

A. Meetings with Sir Kenneth Keith

The Secretary of State has had the following exchanges in the House:-

Statement on 21 November

In questions following the initial statement Mr Silkin asked

"... will the right hon. Gentleman now tell us how many discussions, minuted or unminuted, he has had with the chairman of Rolls-Royce without the chairman of the NEB having been invited?"

The Secretary of State replied

"I was asked how many times I have seen the chairman of Rolls-Royce on his own. I saw him when he came to confirm to me what he had told my permanent secretary a year ago, namely, that he wanted to bring to an end his responsibility for Rolls-Royce at about the end of this year."

Mr Silkin further asked

".. how many meetings and discussions have there been without an invitation being given to the chairman of the NEB?"

The Secretary of State replied

"I said that I had had only one meeting privately with the chairman of Rolls-Royce. Of course, one meets both the chairman of the Board and the chairman of Rolls-Royce on occasions other than private meetings."

Supply Day debate, 26 November

Mr Silkin further asked

"I refer especially to the part of it which confirms that, whenever the chairman of Rolls-Royce seeks a meeting with the Secretary of State, the chairman of the National Enterprise Board has a right to be present. That is obvious if they are discussing Rolls-Royce matters. That is why I dismiss from my mind the answer given me by the right hon. Gentleman. I probed him twice, but he never properly replied. He merely told me that he had had a private meeting with the chairman of Rolls-Royce. He said that that was to discuss chairmanship. I believe that the chairman of Rolls-Royce had intimated to the permanent secretary - I am not certain whether he should have told the permanent secretary without telling the chairman of the NEB - that that is what the private meeting was about.

What the Secretary of State did not tell me was how many meetings he had alone without the chairman of the National Enterprise Board having been invited but with civil servants present on a minuted basis. It is important that we should know that information."

The Secretary of State replied

"I was asked whether I had given the House full information about any private meetings that I might have had with Sir Kenneth Keith in breach of - "

Mr John Silkin: "Not private."

Secretary of State: " - about any meetings that I might have had with Sir Kenneth Keith in breach of the memorandum of understanding. I have here to correct an error. I told the House under questioning last week that I had had one such meeting with Sir Kenneth Keith. I was wrong. I had two such meetings with Sir Kenneth Keith. I had a private lunch with Sir Kenneth Keith in addition to that. However, that had no relationship whatever to the NEB. I had a private lunch at which I was told something about the business. It was not relevant in any way to the subject that we are discussing, whereas one of the two meetings that I had, which was attended for part of the time by one civil servant, did have as its theme the position of Sir Kenneth Keith as chairman of Rolls-Royce and his determination, as he previously warned my permanent Secretary, to leave that office at about the end of this year.

Mr Silkin: "The real point of the question is the memorandum of agreement - was the chairman of the NEB invited?"

Secretary of State: "No, he was not. These were two specific meetings about the proposed resignation of Sir Kenneth Keith. He was not invited. I was, perhaps - I am not sure - in breach of the memorandum of understanding. I may have been. But it had nothing to do with the relationship between Rolls-Royce and the NEB; it was about the personal decision of Sir Kenneth Keith."

Standing Committee E, 27 November

Mr Silkin again asked

"The Rt. hon. Gentleman has said in answer to a question from me - no doubt mature reflection and consultation with his officials and his diary have refreshed his memory - that he had three meetings, which included a lunch, with the chairman of Rolls-Royce without the chairman of the National Enterprise Board being invited. The background to my questioning is that there was a written agreement between the NEB and Rolls-Royce - between the holding company and the subsidiary company - that on no occasion would a meeting take place between the Secretary of State and the chairman of Rolls-Royce at which Rolls-Royce business was to be discussed.

Clearly it was discussed on two of those occasions, though the Secretary of State assures us that it was not discussed at the lunch."

The Secretary of State replied

"Secondly, the Rt. hon. Gentleman asked me about my apparent breach of the concordat that I inherited from my predecessor with the chairman of the NEB and the chairman of Rolls-Royce, that each should be invited to join in any

discussion when Rolls-Royce business was to be discussed. Much depends, in the interpretation of what I did, on the interpretation of the words 'when Rolls-Royce business was to be discussed.'

In fact, the three occasions on which I met Sir Kenneth Keith without having warned Sir Leslie Murphy that I was going to do so, or inviting him to attend, were occasions on which Rolls-Royce came into the discussion, certainly, but not in relation to the NEB. On two of those occasions I met Sir Kenneth Keith in my office, the first being the occasion of his proposed resignation and the second being that of my receipt from him of his resignation letter.

Inasmuch as Rolls-Royce was and is a subsidiary of the NEB, his resignation and the exact timing of it were conceivably within the range of subjects that might have been thought to fall within the concordat. On the other hand, I interpreted that concordat as referring specifically to the relationship between the NEB and Rolls-Royce, and to the business of Rolls-Royce as it fell to be monitored by the NEB. The fact that it was the personal position of Sir Kenneth Keith that was the subject of those two discussions entitled me, I thought at the time - I am open to other people's judgment on this - to regard them as not falling within the concordat.

I ask the Rt. hon. Gentleman and his hon. Friend to dismiss the lunch altogether from this context. It was an occasion that replaced a planned visit by me to Derby that had to be cancelled, and during it we discussed the marketing of Rolls-Royce products and the situation of Rolls-Royce customers. I was simply put in the picture about the context within which Rolls-Royce does its work. There can be no question but that the lunch fell clearly outside the concordat.

The two private discussions may conceivably be held to be within the concordat, in which case I acknowledge that there was a breach, though I interpreted it in the other way."

Record of Meetings

It will be seen that the Secretary of State has been asked a number of slightly different questions. There have been seven meetings with the Secretary of State of which the Department has knowledge.

- (1) Meeting at DOI on 23 May. Sir Leslie Murphy was informed of this meeting, which was of an introductory nature, and agreed to its taking place without his being present. It seems entirely in line with the spirit of the questions to ignore this meeting. It was clearly not in breach of the concordat.
- (2) Meeting at DOI on 1 August to discuss Rolls-Royce's financial prospects. Sir Leslie Murphy was present. It was clearly not in breach of the concordat.
- (3) Lunch at RR on 19 September. The House has been fully informed of this.
- (4) Meeting in Derby on 31 October. The Secretary of State visited Derby accompanying Chairman Hua. An official was present at Derby but not when Sir Kenneth Keith took the opportunity of the Secretary of State's presence to indicate his willingness to stand down. The Secretary of State probably

intended his reference on 21 November to "occasions other than private meetings" to cover this visit.

- (5) Meeting at DOI on 6 November to discuss Sir Kenneth's intention to resign. The House has been informed.
- (6) Presence at PM's meeting on 6 November at which the PM was informed of Sir Kenneth's intention to resign. This is not covered by any of the answers and the fact that the Prime Minister met Sir Kenneth officially has not been made public.
- (7) Meeting at DOI on 7 November at which Sir Kenneth handed over his letter of resignation. The House has been informed.

The questions put to the Secretary of State have been about meetings which he has had with Sir Kenneth, but the concordat refers to meetings "with a Minister". Apart from the meeting with the Prime Minister referred to above Mr Butler had a lunch with Sir Kenneth on 4 October, and this is referred to in Sir Kenneth's letter to the Secretary of State of 4 October which the Secretary of State has been asked to publish. We know that Sir Kenneth Keith has also had meetings or lunches with a number of ministers from other departments.

~~ORAL~~
PRIORITY WRITTEN (W)
~~ORDINARY WRITTEN~~

ANSWER ON MONDAY
10/12/79

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6pm 7/12/79

First
Published
on 6/12
p 2957

ACTION OFFICER Mr MAYNARD AIRL

Party

LAB

Copied to :

MINISTER ANSWERING. Michael Marshall

File ref

Department of Industry

P.Q. No.

121 W Mr Gerald Kaufman (Manchester, Ardwick): To ask the Secretary of State for Industry, on how many occasions since 4th May he has met Sir Kenneth Keith; what were the dates, places and purposes of these meetings; and at which of them Sir Leslie Murphy or some other representative of the National Enterprise Board has been present.

Since 4 May I have met Sir Kenneth Keith on the following occasions:-

- 1) On 23 May I met Sir Kenneth at DOI; our talk was of an introductory nature, *with the knowledge of the Chair of the NEB. prior to a subsequent meeting with the NEB Chairman.*
- 2) On 1 August I held a meeting at DOI to discuss Rolls Royce's financial prospects at which Sir Leslie Murphy and Sir Kenneth Keith were both present.
- 3) On 19 September I lunched with Sir Kenneth Keith at Rolls Royce's office; this replaced a visit I had been due to make *with Sir L.M. approval* to the company's Derby factory, but was postponed, due to the engineers industrial dispute.
- 4) On 31 October I accompanied Chairman Hua on his visit to Rolls Royce Derby at which Sir Kenneth Keith was present.

Notes for supplementaries required for all oral questions

Notes for supplementaries not required for written questions

OFFICIAL APPROVAL BY

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ORAL/WRITTEN ANSWER

CJF 7/12/79

P.U.S.S.

given on

Minister

see OFFICIAL REPORT

Sec of State

Column (s)

- 5) On 6 November I met Sir Kenneth Keith at DOI to discuss his intention to give up the Chairmanship of Rolls Royce. Later in the day I was also present at a meeting at No ^{The House of Commons} ~~40 Downing Street~~ when Sir Kenneth informed the Prime Minister of his intention to give up the Chairmanship.
- 6) On 7 November I met Sir Kenneth Keith at DOI again in connection with his departure.

7 DEC 1979



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THE RIGHT HONORABLE MRS MARGARET THATCHER PRIME MINISTER OF THE
UNITED KINGDOM 10 DOWNING STREET
LONDON

ORIG SENT TO SIR KENNETH KEITH 11/16/79 I LEARNED OF YOUR FORTHCOMING
RESIGNATION FROM ROLLS-ROYCE ~~WHILE~~ WHILE IN CAIRO NOW THAT I
HAVE RETURNED TO BURBANK I HASTEN TO TELEX YOU MY DEEPEST
SENTIMENTS EXPRESSED AS FOLLOWS ROLLS-ROYCES LOSS IS EQUALLY OUR
LOSS YOUR LEADERSHIP HAS BEEN BOLD VISIONARY FORTHRIGHT AND
ESSENTIAL THE UNITED KINGDOM SHOULD BE EXTREMELY PROUD OF YOU
ACCOMPLISHMENTS IN TURN LOCKHEED IS VERY GRATEFUL FOR THAT LEADERSHIP
YOUR SUPPORT AND MOST OF ALL YOUR FRIENDSHIP MOST SINCERELY
ROY A ANDERSON CHAIRMAN OF THE BOARD LOCKHEED CORPORATION
BURBANK CALIFORNIA

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