


PRIME MINISTER

FERRANTI

1. Herewith Memorandum dated 18th June which has been prepared by Michael Ancram.
2. I mentioned to you yesterday that John King is strongly opposed to Ferranti being sold to G.E.C., and would prefer shares to be sold in the market place.

20th June, 1980


Ian Gow

MEMORANDUM ON POLITICAL IMPLICATIONS OF FERRANTI DECISION

1. There are political implications pursuant on any decision on the disposal of the N.E.B.'s shareholding in Ferrantis so far as Scotland is concerned which for obvious reasons cannot be overtly part of the Conservative side of the debate tonight, but which I hope will be taken firmly into account before a decision is reached.
2. These implications do not so much relate to the immediate effect of the decision itself, but from the results which in certain circumstances may flow from it. To that extent these remarks are speculative.
3. Ferrantis in Scotland has on the face of it a viable future, with announced expansion plans including an increase in the labour force of some 500. It appears to have overcome many of its problems and to offer job and security prospects in the foreseeable future. In one sense the Government endorse this view by being prepared to dispose of the N.E.B. holdings in the company as a going concern.
4. If the results of this disposal were to be the furtherance of Ferrantis and the prospects of its very loyal labour force either by underlining its newly retrieved independence or by achieving a viable future for it as part of a bigger concern in which it poses no internal competition, there can be no political objection to disposal of the N.E.B. holding, nor indeed is there, at least among the senior management in Scotland (viz. the Deputy Chairman who claims to speak for his Board).
5. If, however, disposal is by bid to a company with whom Ferranti competes, and whose interest is to "rationalise" or run down the Scottish end of the business, and were these circumstances to occur, the political ramifications would be great in Scotland.
6. It would undoubtedly be regarded as:-
 - (a) "confirmation" of the economic drift from the North to the South, aided and abetted by the Conservative Government, at the cost of viable jobs;
 - (b) the epitome of the branch-economy syndrome of Scotland where rationalisation equals loss of industry and jobs within that country;
 - (c) a negation of Conservative declarations of the need to rebuild the economy of Scotland on viable firms involved in new and successful electronic technology;
 - (d) (in SNP terms) the natural result of being governed by an English-based Party with no more than "a feudal interest" North of the Border.

7. To a lesser degree the Labour Party in Scotland would benefit from such a popular interpretation as the main Opposition party. To a far greater degree the SNP would be beneficiaries, and already they are judiciously preparing the ground.
- (a) They are a Party looking for a hook to hang their coat on. This could provide them with an initiative which would be credible in popular terms.
 - (b) On the precedent of 1972-74 the SNP gain electoral support not so much from nationalistic constitutional causes but from economic realities of what appears to be discrimination by Government and non-Scottish based industry against Scotland. Such circumstances outlined above can be portrayed in that light.
 - (c) While general job losses in Scotland are politically defensible within the context of the Government's general economic strategy of streamlining and increasing the efficiency and capacity of industry, these circumstances would not lend themselves to such a defence. Instead they can readily be portrayed by the SNP as viable Scottish jobs being sacrificed on the altar of "monopolistic English capitalism".
8. The political effect of such a presentation could be highly dangerous. The SNP menace is at present dormant in the public mind, but not dead. Our task and strategy is to keep it dormant. This issue in the foreseeable future could provide the spark to light the fire again. It will be difficult to damp down.
9. This memorandum deliberately sets out to argue only the political consequences. The answers will be argued in the debate and in any event are already well aired. The prevention of a monopolistic bid may have longterm economic attractions. It certainly has a political reason which I believe it would be most unwise to overlook.

Michael Ancram

MICHAEL ANCRAM

18th June, 1980.

INDUSTRY.

PRIME MINISTER

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Ian Gow

20th June, 1980

Ferranti

Many thanks for your letter of 18th June, with which you enclosed a Memorandum of the same date which you had prepared about Ferranti.

I am glad that you have sent a copy of this to Keith.

I have shown your Memorandum to the Prime Minister.

I enclose a copy of the Message dated 21st June to our Candidate at the Glasgow Central By-Election. The original of the Message was delivered to Tony Garner at 32 Smith Square this morning.

IAN GOW

Michael Ancram, Esq. M.P.
House of Commons,
Westminster, London SW1



HOUSE OF COMMONS
LONDON SW1A 0AA

Wednesday 18th June
1980

Dear Ian,

Herewith enclosed a memo on the political implications of Feenstra's. As I said to you last night for obvious reasons these cannot be publicly stated.

I hope they are of help.

Michael

P.S. As requested I am getting a copy to Kirk.

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Michael Ancram

MICHAEL ANCRAM

18th June, 1980.

Private & Confidential

20th June, 1980

I valued our talk on Wednesday evening, and it was good to see you again.

I have had a word with Keith, and you will be hearing from him shortly.

Sir John King,
Chairman,
Babcock & Wilcox Limited,
Cleveland House,
St. James's Square,
London SW1

20th June, 1980

Private

John King - N.E.B.

We had a word yesterday, following my talk with John King on Wednesday evening.

I know that he would value, greatly, a private chat with you, away from the Department.

His office number is 930 9766.

IAN GOW

The Right Honourable Sir Keith Joseph, Bt. M.P.
63 Limerston Street,
Chelsea, London SW10