

SECRET



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

ROLLS ROYCE

I have seen Keith Joseph's minute to you of 13th July about the future of Rolls Royce.

2. While I agree in principle that the idea of removing Rolls Royce from the control of the NEB and putting the Company under GEC management should be examined in greater detail, the terms for such an arrangement will need very careful consideration indeed. Our objective must I think be to minimise the potential calls by Rolls Royce on public funds. Tighter management and better cost control are prerequisites to better performance. But these will not themselves deal with the fundamental financial problems now facing the Company. Moreover, there are obvious dangers in a solution which gives Arnold Weinstock the controlling interest in certain parts of Rolls Royce, leaving the Government to finance the other parts which may not perhaps be so profitable.

3. By all means, let the feasibility of the proposals be considered urgently but this should be without prejudice to the Government's position at this stage. I look forward to seeing a fuller appraisal of the proposed arrangements, together with an assessment of their financial consequences.

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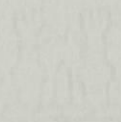
4. I am copying this letter to Keith Joseph,  
Peter Carrington, Francis Pym and Sir John Hunt.

A handwritten signature in dark ink, appearing to be "G.H." with a flourish.

(G.H.)

13 July, 1979

CONQUEROR





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EDITORIAL

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