



Aircraft and Shipbuilding Industries Act 1977

1977 CHAPTER 3

PART I

THE CORPORATIONS

Constitution and functions

1 British Aerospace and British Shipbuilders

- (1) There shall be constituted, subject to and in accordance with the provisions of this section,—
 - (a) a body corporate to be called British Aerospace, and
 - (b) a body corporate to be called British Shipbuilders.
- (2) Each Corporation shall consist of—
 - (a) a chairman appointed by the Secretary of State; and
 - (b) subject to subsection (3) below, not less than 7 nor more than 20 other members each appointed by the Secretary of State after consultation with the chairman.
- (3) In relation to either Corporation, the Secretary of State may by regulations made by statutory instrument—
 - (a) provide that subsection (2)(b) above shall have effect in relation to the Corporation with the substitution of a different minimum or maximum number of members ;
 - (b) provide that, in addition to the office of chairman of the Corporation, there shall be other offices to which he may appoint members of the Corporation ;
 - (c) make provision with respect to the appointment and tenure of office of, and the vacation of office by, members of the Corporation ;

Status: This is the original version (as it was originally enacted).

- (d) make provision with respect to the disclosure by members of the Corporation of any interest (whether direct or indirect) in contracts made or proposed to be made by the Corporation or any of its wholly owned subsidiaries or in any other matter whatsoever which falls to be considered by the Corporation ;
 - (e) make provision with respect to the quorum, proceedings and meetings of the Corporation, the execution of instruments by or on behalf of the Corporation and the proof of documents purporting to be executed, signed or issued by or on behalf of the Corporation or by or on behalf of any of the Corporation's members or employees; and
 - (f) make such provision supplementary or incidental to the matters specified in paragraphs (a) to (e) above as appears to the Secretary of State to be expedient.
- (4) Subject to any provision made by virtue of subsection (3) above, the arrangements relating to meetings of each Corporation shall be such as it may determine; and the validity of any proceedings of either Corporation shall not be affected by any vacancy among the members or in the office of chairman or by any defect in the appointment of a member.
- (5) Each Corporation—
- (a) shall pay to the members thereof such remuneration and such allowances as may be determined by the Secretary of State with the consent of the Minister for the Civil Service; and
 - (b) if the Secretary of State with the consent of that Minister so determines in the case of a person who is or has been a member of the Corporation, shall pay or make arrangements for the payment of a pension to or in respect of that person in accordance with the determination; and
 - (c) if a person ceases to be a member of the Corporation and it appears to the Secretary of State that there are special circumstances which make it right that that person should receive compensation, shall pay to that person a sum of such amount as the Secretary of State may with the consent of the Minister for the Civil Service determine.
- (6) Neither Corporation is to be regarded as the servant or agent of the Crown or as enjoying any status, privilege or immunity of the Crown, and its property is not to be regarded as property of or held on behalf of the Crown.
- (7) The Secretary of State may by order made by statutory instrument specify a different name by which either Corporation is to be known; and where any such different name is so specified, any reference in this Act or in any other enactment, instrument or document to British Aerospace or, as the case may be, to British Shipbuilders, shall be construed accordingly.
- (8) The power to make an order under subsection (7) above includes power to vary or revoke any order previously made under that subsection; and a statutory instrument containing regulations or an order made under any provision of this section shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (9) The Secretary of State shall maintain in respect of each Corporation a register of members' financial interests and shall ensure that all members of a Corporation enter in the register kept in respect of it statements of such of their financial interests as, were they Members of the House of Commons, they would be required to register in accordance with resolutions of that House, any such resolution being construed, in its application to members of a Corporation, with appropriate modifications.

- (10) In the House of Commons Disqualification Act 1975 and in the Northern Ireland Assembly Disqualification Act 1975, in Part II of Schedule 1 (bodies of which all members are disqualified), there shall be inserted, at the appropriate places in alphabetical order,—
- “British Aerospace”; and
 - “British Shipbuilders”.

2 General duties of the Corporations

- (1) It shall be the duty of British Aerospace, subject to section 7(3) below, to promote and secure the promotion by its wholly owned subsidiaries of—
- (a) the efficient and economical design, development, production, sale, repair and maintenance of civil and military aircraft, of guided weapons and of space vehicles; and
 - (b) research into matters relating thereto.
- (2) It shall be the duty of British Shipbuilders to promote and secure the promotion by its wholly owned subsidiaries of—
- (a) the efficient and economical design, development, production, sale, repair and maintenance of ships and slow speed diesel marine engines ; and
 - (b) research into matters relating thereto.
- (3) It shall be the duty of each Corporation—
- (a) in carrying out its activities to have full regard to the requirements of national defence ; and
 - (b) to secure that each of its wholly owned subsidiaries, in carrying out its activities, has full regard to those requirements.
- (4) It shall be the duty of each Corporation to seek to secure the benefit of the knowledge and experience of persons employed by it and its wholly owned subsidiaries in the organisation and conduct of the tasks in which those persons are employed.
- (5) The Secretary of State may, after consultation with a Corporation, by order made by statutory instrument, prescribe in relation to that Corporation—
- (a) activities which the Corporation and its wholly owned subsidiaries are to carry on, either in addition to the activities specified in subsections (1) and (2) above or in substitution for such of those activities as may be specified in the order ; and
 - (b) objectives of a general character which the Corporation and its wholly owned subsidiaries are to pursue ; and
 - (c) conditions of a general character subject to which any activities are to be carried on or any prescribed objectives are to be pursued.
- (6) The power to make an order under subsection (5) above includes power to vary or revoke any such order previously made, and no order shall be made under that subsection unless a draft of the order has been laid before and approved by a resolution of each House of Parliament.
- (7) It shall be the duty of each Corporation—
- (a) to carry on such activities, to pursue such objectives and in so doing to comply with such conditions as may for the time being be specified in accordance with subsection (5) above; and

- (b) to secure that its wholly owned subsidiaries carry on any such activities, pursue any such objectives and comply with any such conditions; and in the event of any conflict between the duty imposed by this subsection and any duty imposed by the preceding provisions of this section, the duty imposed by this subsection shall prevail.
- (8) In carrying out its functions under this Act, it shall be the duty of each Corporation to promote industrial democracy in a strong and organic form in its undertakings and the undertakings of its wholly owned subsidiaries.
- (9) It shall be the duty of each Corporation to enter within 3 months of the relevant vesting date into consultation with the relevant trade unions as to the methods which it should adopt for the purpose of carrying out its duty under subsection (8) above.
- (10) Nothing in this section shall be construed as imposing upon either Corporation, directly or indirectly, any form of duty or liability enforceable by proceedings before any court.

3 Powers of the Corporations

- (1) In addition to any activities which it is under a duty to carry on, each Corporation may carry on—
- (a) any activities which were carried on, immediately before the date of transfer, by a company which, by virtue of this Act, becomes the Corporation's wholly owned subsidiary; and
 - (b) with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State any other activities to which the consent or authority relates.
- (2) Subject to subsection (3) below, each Corporation shall have power—
- (a) to acquire by agreement, and to hold, interests in other bodies corporate;
 - (b) to form or take part in forming bodies corporate ;
 - (c) to enter into partnerships with other persons ; and
 - (d) to exercise all rights conferred by the holding of interests in bodies corporate.
- (3) Except with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State, neither Corporation shall have power—
- (a) to exercise any of the powers conferred by paragraphs (a) to (c) of subsection (2) above ; or
 - (b) to dispose of an interest in any of its wholly owned subsidiaries, unless the disposal is to another such wholly owned subsidiary.
- (4) The powers conferred by subsection (2) above in relation to bodies corporate shall be exercisable whether or not they are or will be incorporated in the United Kingdom; and the power conferred by paragraph (c) of that subsection shall be exercisable whether or not the partnership will be governed by the law of any part of the United Kingdom.
- (5) Section 209 of the Companies Act 1948 and section 200 of the Companies Act (Northern Ireland) 1960 (power to acquire shares of shareholders dissenting from scheme or contract approved by majority) shall have effect in relation to the transfer of shares or any class of shares in a company to either of the Corporations; and references to a transferee company in those sections shall be construed accordingly.
- (6) Each Corporation shall have power—

- (a) with the consent of the Secretary of State to enter into and carry out agreements with the Minister of Overseas Development, being agreements whereunder the Corporation acts, at the expense of that Minister, as the instrument by means of which technical assistance is furnished by that Minister in exercise of the power conferred by section 1(1) of the Overseas Aid Act 1966; and
 - (b) with the consent of the Secretary of State and the Minister of Overseas Development, to enter into and carry out agreements whereunder the Corporation, for any purpose specified in that section, furnishes technical assistance in a country or territory outside the United Kingdom against reimbursement to the Corporation of the cost of furnishing that assistance.
- (7) Each Corporation may, with the consent of the Secretary of State, promote Bills in Parliament, and may without any such consent oppose any Bill in Parliament; and any reference in this subsection to a Bill in Parliament includes a reference to an order under the Private Legislation Procedure (Scotland) Act 1936 and a proposed Measure introduced in the Northern Ireland Assembly.
- (8) Each Corporation shall have power to do anything and to enter into any transaction (whether or not involving the expenditure of money, the borrowing or lending of money, the acquisition of any property or rights or the disposal of any property or rights) which in its opinion is calculated to facilitate the exercise or performance of the functions conferred on it under or by virtue of any enactment or which in its opinion is incidental or conducive to the exercise or performance of any such function.
- (9) For the avoidance of doubt it is hereby declared that the preceding provisions of this section relate only to the capacity of each Corporation as a statutory corporation, and nothing in those provisions shall be construed as authorising the disregard by either Corporation of any enactment or rule of law.

4 Corporations to give effect to directions of Secretary of State

- (1) Each Corporation shall give effect to any direction given to it under subsection (2) below or under any of the following provisions of this Act and shall secure, so far as appropriate, that each of its wholly owned subsidiaries also gives effect to any such direction.
- (2) The Secretary of State may give directions of a general character as to the exercise and performance by either Corporation of its functions (including the exercise of rights conferred by the holding of interests in bodies corporate, whether or not incorporated in the United Kingdom) in relation to matters which appear to the Secretary of State to affect the national interest.
- (3) Before giving any direction to either Corporation under subsection (2) above, the Secretary of State—
- (a) shall consider all factors relating to that Corporation that appear to him to be relevant to the proposed direction, and
 - (b) shall consult the Corporation.
- (4) Before giving any such direction to British Shipbuilders, the Secretary of State shall have full regard to the need—
- (a) to co-ordinate the operations of British Shipbuilders with those of the British shipping industry;

Status: This is the original version (as it was originally enacted).

- (b) to take account of any shipbuilding policy for the time being adopted by any international organisation of which the United Kingdom is a member;
 - (c) to ensure that British Shipbuilders is able to compete in world markets on equal terms with its competitors in other countries; and
 - (d) to take account of any special considerations relating to parts of the United Kingdom and in particular, but without prejudice to the generality of those considerations, relating to employment.
- (5) When the Secretary of State gives a direction under subsection (2) above, he shall lay a copy of it before each House of Parliament within 28 days of giving it, unless he has notified the Corporation to which it is given that he is of opinion that it is against the national interest to lay it or that he accepts the Corporation's contention that it is against the Corporation's commercial interests to lay it.

5 Duties of the Corporations to review and report on management of their affairs

- (1) British Aerospace shall, forthwith after the aircraft industry vesting date and subsequently from time to time when it considers it appropriate or the Secretary of State so requires,—
- (a) undertake a review of the affairs of the Corporation and its wholly owned subsidiaries for the purposes of determining—
 - (i) how the management of the activities of the Corporation and those subsidiaries can most efficiently be organised, taking account of the desirability of promoting the largest degree of decentralisation of management consistent with the proper discharge of its functions, and
 - (ii) what steps are necessary in order effectively to promote industrial democracy in its undertakings and the undertakings of its wholly owned subsidiaries ; and
 - (b) make a report to the Secretary of State upon the Corporation's conclusions arising from the review and the action it proposes to take in the light of those conclusions.
- (2) British Shipbuilders shall, forthwith after the shipbuilding industry vesting date and subsequently from time to time when it considers it appropriate or the Secretary of State so requires—
- (a) undertake a review of the affairs of the Corporation and its wholly owned subsidiaries for the purposes—
 - (i) of determining how the management of the activities of the Corporation and those subsidiaries can most efficiently be organised, and what steps are necessary in order effectively to promote industrial democracy in its undertakings and the undertakings of its wholly owned subsidiaries; and
 - (ii) without prejudice to the generality of sub-paragraph (i) above, of seeking the largest degree, consistent with the proper discharge of its functions, of decentralisation of management and decision-taking to separate profit centres in the shipbuilding and ship-repairing areas of Great Britain, and in particular of Scotland and Wales and, without prejudice to the generality of the foregoing, in relation to sales, pricing, production, the formulation and implementation of investment programmes, manpower planning and management, industrial relations, and responsibility for financial performance; and

- (b) make a report to the Secretary of State upon the Corporation's conclusions arising from the review and the action it proposes to take in the light of those conclusions.
- (3) Each Corporation's report on its first review under subsection (1) or (2) above shall be made to the Secretary of State before such date not more than 6 months after the relevant vesting date as he may after consultation with the Corporation determine.
- (4) Before reaching conclusions in consequence of any review undertaken under subsection (1) or (2) above, each Corporation shall consult any relevant trade union.
- (5) The Secretary of State shall lay before each House of Parliament—
 - (a) a copy of any report under subsection (1) or (2) above, or
 - (b) where the Secretary of State is of the opinion that the disclosure of any part of the report is against the national interest, or is against the commercial interests of the Corporation, a copy of the report excluding that part,and may, after doing so, and after considering the report and consulting the Corporation concerned about it, give to the Corporation such directions as he considers appropriate for securing that the general principles upon which the activities of the Corporation and its wholly owned subsidiaries are organised are calculated to produce the greatest efficiency in the management of those activities.

6 Machinery for settling terms and conditions of employment etc.

- (1) Except in so far as it is satisfied that adequate machinery exists for achieving the purposes of this section, it shall be the duty of each Corporation to consult any relevant trade union with a view to the conclusion between the Corporation and any such trade union of such agreements as appear to the parties to be desirable with respect to the establishment and maintenance of machinery for the purposes specified in subsection (2) below.
- (2) The purposes referred to in subsection (1) above are—
 - (a) the settlement by negotiation of terms and conditions of employment of persons employed by the Corporation and its wholly owned subsidiaries.
 - (b) the resolution of trade disputes, within the meaning of the Trade Union and Labour Relations Act 1974,
 - (c) the promotion and encouragement of measures affecting efficiency, in any respect, in the carrying on of their activities by the Corporation and its wholly owned subsidiaries, and
 - (d) the discussion of other matters of mutual interest to the parties to the agreements.
- (3) Nothing in this section shall be construed as prohibiting either Corporation or any wholly owned subsidiary of either Corporation from taking part together with other employers or organisations of employers in the establishment and maintenance of machinery for any of the purposes set out in subsection (2) above.

7 Formulation of the Corporations' policies and plans and conduct of their operations

- (1) It shall be the duty of each Corporation, after consulting any relevant trade union, to formulate in each year other than that in which it is constituted a corporate plan relating to the conduct, during such period beginning in that year as the Corporation considers

appropriate, of the operations of the Corporation and its wholly owned subsidiaries and dealing, subject to subsection (2) below, with the following matters, namely,—

- (a) capital investment,
- (b) research and development,
- (c) employment of persons,
- (d) forecasts of income and expenditure on profit and loss account and of payments and receipts of the Corporation and its wholly owned subsidiaries,
- (e) such other matters as the Corporation considers appropriate, and
- (f) such other matters as the Secretary of State may for the purposes of this subsection specify in writing to the Corporation,

and, in formulating its corporate plan in each year and in determining the period to which the plan is to relate, and in the general conduct of the operations of the Corporation and its wholly owned subsidiaries in each year, the Corporation shall act on lines settled from time to time with the approval of the Secretary of State.

- (2) If the Secretary of State gives a direction to either Corporation to that effect, the plan formulated by the Corporation in any year under subsection (1) above need not deal with such of the matters falling within paragraphs (a) to (d) of that subsection as may be specified in the direction.
- (3) If the estimated cost to British Aerospace and its wholly owned subsidiaries of the development of any aircraft or guided weapon exceeds such amount as may for the time being be notified to British Aerospace by the Secretary of State for the purposes of this subsection, British Aerospace shall secure that neither it nor any of its wholly owned subsidiaries undertake, or participate with others in the undertaking of, that development except with the consent of the Secretary of State.

- (4) In this section

“estimated cost” does not include any cost which British Aerospace or any of its wholly owned subsidiaries expects to be reimbursed under the terms of a contract, and

“year ” means the period of 12 months beginning on 1st January.

8 Furnishing and publication of information by the Corporations

- (1) In such manner and at such times as the Secretary of State may specify in relation to it, each Corporation shall furnish the Secretary of State with such information—
 - (a) as he may specify in writing to it, and
 - (b) as the Corporation has or can reasonably be expected to obtain,
 with respect to such matters relating to the Corporation or its wholly owned subsidiaries or the activities (past, present or future), plans or property of any of them as the Secretary of State may so specify.
- (2) The Secretary of State may, by directions given to either Corporation, require it to publish, in such manner as may be specified in the directions, such information as may be so specified relating to—
 - (a) the operations of the Corporation and its wholly owned subsidiaries; and
 - (b) its policy and plans for the general conduct of its undertaking and the businesses of all or any of its wholly owned subsidiaries.
- (3) Before giving any directions under subsection (2) above the Secretary of State shall consult the Corporation to which they are to be given.

9 Control by Corporations of wholly owned subsidiaries

- (1) Each Corporation shall secure that, notwithstanding anything in the memorandum or articles of association of any of its wholly owned subsidiaries, none of those subsidiaries—
 - (a) shall carry on any activity which the Corporation itself has no power to carry on or has power to carry on only with the consent of the Secretary of State, or
 - (b) shall acquire any interest in a body corporate or form or take part in forming a body corporate, or
 - (c) shall enter into a partnership with any other person,except with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State.
- (2) Paragraph (b) of subsection (1) above shall apply whether or not the body corporate is or will be incorporated in the United Kingdom, and paragraph (c) shall apply whether or not the partnership will be governed by the law of any part of the United Kingdom.
- (3) Each Corporation shall secure that, except with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State, none of its wholly owned subsidiaries shall dispose of an interest in any other of its wholly owned subsidiaries, unless the disposal is to the Corporation itself or to another of its wholly owned subsidiaries.