

Ref: A02437

CONFIDENTIAL

PRIME MINISTER

BSC Finances

BACKGROUND

You discussed the BSC financial situation with a small group of colleagues last week. The outcome was that Sir Keith Joseph was invited to make an early statement in the House. This statement is now due to be made on Thursday, 26th June and the Secretary of State for Industry has just circulated a draft to colleagues on E. In addition you approved yesterday the terms of a letter which Sir Keith Joseph sent to Sir Charles Villiers on the subject yesterday. The Chancellor of the Exchequer, the Secretary of State for Employment, the Chancellor of the Duchy of Lancaster and the Paymaster General have seen this letter, but other colleagues have not.

2. The purpose of the meeting is to give a wider circle of colleagues the opportunity of expressing a view on a matter which is not only of great intrinsic seriousness but may well lead to the resignation of the present Board of BSC and a considerable political rumpus. We have invited, for this item, the Secretaries of State for Scotland and Wales and the Chief Whip (but not the Chancellor of the Duchy of Lancaster). The Paymaster General is in Wales and unable to be present.

HANDLING

3. You might begin by inviting the Secretary of State for Industry to explain the position reached and to introduce his proposed statement. Other colleagues can then weigh in as they wish.

CONCLUSIONS

4. The conclusion you will wish to aim for is endorsement of the Secretary of State for Industry's statement, subject to any amendments agreed in discussion.

5. You will wish to consider whether the matter needs to be mentioned in Cabinet tomorrow. If so, the Secretary of State for Industry could be asked to report, under Parliamentary Affairs, his intention to make a statement and what he proposes to say.

*RA*

(Robert Armstrong)

25th June 1980

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