



bc Mr. Hoskyns  
Mr. Walters  
Mr. Wolfson  
Mr. Ingham

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## 10 DOWNING STREET

*From the Private Secretary*

20 January, 1981.

*Dear Ian,*

As you know, the Prime Minister held a further meeting this morning to discuss the Government's response to the BL corporate plan. In addition to your Secretary of State, the following were present: the Chancellor of the Exchequer, Sir Robert Armstrong, Mr. Ibbs, Mr. Mountfield, Mr. Wolfson, Mr. Hoskyns, Mr. Walters, and Mr. Duguid. They had before them Robin Ibbs' minute of 19 January, and Sir Michael Edwardes' letter of that date to Sir Keith Joseph.

Mr. Ibbs first commented on his minute and the speaking notes attached to it which were intended for a possible meeting between the Prime Minister and Sir Michael. The group had decided provisionally at their previous meeting on 16 January on a strategy of supporting BL's plan, but on the explicit condition that they disposed of as many of their assets as possible by mid-1982. They had ruled out the early closure of the volume car business as politically unacceptable; equally, they had ruled out giving carte blanche approval for the plan. The strategy proposed, which was intended to remove BL from Government ownership as early as possible - and if disposal of volume cars did not come off, to the latter's closure - seemed to be the best compromise available. The main object of the meeting with Sir Michael was to persuade him to accept this strategy. Although he was not absolutely indispensable, it was extremely important to get him to agree to it. For if he refused, and resigned, there was a significant risk that confidence in BL would disintegrate; moreover, the Department of Industry did not seem to have an alternative candidate for the chairmanship.

In discussion, the following points were made:

- i) The difference between the proposed strategy and Sir Michael's was not perhaps quite as great as had appeared at first sight. Both sides agreed that volume cars should be kept going for at least two years, and both sides were looking for disposals. Their differences were about timing of disposals. Sir Michael was reluctant to sell off the profitable parts of the business immediately because he felt this would undermine the prospects of selling off, or finding a collaborator for, the business as a whole. By contrast, the group felt that any such disadvantages would be more than balanced by the likelihood that, once sold off, the more profitable entities would be more successful and would cease to be dependent on government funding.

/ ii)

- ii) Sir Michael's latest letter offered a basis for negotiation. In return for agreeing to fund the Plan for 2 years, albeit subject to review at the end of the first year, Ministers might be able to extract a commitment from him to the disposals strategy.
- iii) It was most unlikely that a buyer would be found for volume cars within two years. Yet closing volume cars in two years - when unemployment would be higher, when the LM10 project would be coming on stream and when the election would be that much closer - would be even more difficult. Ministers could not be asked to take a decision now which would tie them to closure in two years time.
- iv) On the other hand, the possibility of finding a buyer should not be ruled out. For example, it was possible that Ford might be interested in purchasing BL volume cars when their own cash flow problems became easier. Furthermore, from a political standpoint, closure in 1982 might not be as difficult as had been suggested. The strategy of putting the business on the market, and it being seen to fail, might make closure more defensible; and so would the implementation of Quicksilver, assuming it came off. And although there would certainly be a major row if the business was closed, it would also be welcomed by many people and by the vast majority of small businessmen.

Summing up, the Prime Minister said that the group were broadly agreed on the approach suggested by Mr. Ibbs. But since it had yet to be endorsed by Cabinet colleagues, the meeting with Edwardes later today should be exploratory; and as such, it should be conducted by Sir Keith and the Chancellor. The objective should be to spell out the Government's reservations about the Plan, persuade him of the necessity of early disposals, and test his willingness to accept this as a condition of support for the Plan. He should be asked to consult his Board tomorrow, after which it might be necessary for Ministers to see him again before taking the issue to E Committee and Cabinet on Thursday morning.

I am sending copies of this letter to John Wiggins (HM Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Ian Ellison, Esq.,  
Department of Industry.

*Tim Laker*

*KRB*