

PRIME MINISTER

cc: Mr. Hoskyns
Mr. Wolfson

B.L. STATEMENT

I have been in touch with the Department of Industry, the Policy Unit, the CPRS and the Treasury about your comments on the draft statement.

The crucial point about collaboration is that any particular collaboration arrangement should not make it more difficult to achieve a full-scale sale or merger. But it is extremely unlikely that full-scale sale or merger can be achieved in one go: partial collaboration arrangements will have to come first before a potential buyer, at least in the case of volume cars, is prepared to put in a major stake. This involves risks insofar as, once a potential arrangement is entered into, the options for merger or sale are narrowed. But these can at least be minimised by ensuring that the Government first reviews and then has the final say before any collaboration arrangement - which might have wider implications - goes ahead.

Sir Keith and the Chancellor and everyone else closely concerned believe that we must intensify the pressure on BL to move towards merger/disposal, and that the statement should include references to collaboration - even though the E minutes record you as saying in your summing up that "it might be better if neither the statement nor the letter referred to the possibility (of collaboration) at all". But they all agree with you that the question of what say the Government has in all this must be strengthened. As you pointed out, giving the Government "an opportunity to express its views" is quite inadequate.

The use of the vague word "collaboration", which can cover anything from an exchange of know-how on some tiny component to a major share disposal, is deliberate. We obviously want to leave BL free to enter into minor, technical collaborations; but we also want to indicate - without quite spelling it out - that BL is "for sale".

/ I attach

I attach revised draft texts for your consideration. The key point about Government consent for collaborations is covered in the draft private letter from Edwardes at Annex B. We have also dealt with your point that it is a platitude to say that disposal of shares in BL requires Government consent. But they can, in law, dispose of shares in subsidiaries; we have therefore kept consent for such disposals in.

As regards the statement, there are a number of minor drafting changes - including one or two suggested by Mr. Pym. We have struck out the paragraph which said that "The Government also endorses the Board's strategy of pursuing wide-ranging collaborations, for each of the businesses", and have slightly modified the other draft letter from Edwardes - which is to be quoted - on possible forms of collaboration.

Other points are:

1. You struck out the phrase "regular monitoring by the Board" on the grounds that the Government should do the monitoring. We could just say "regular monitoring". But Edwardes apparently attaches great importance to giving the impression that monitoring will be done primarily by the Board; otherwise, he fears that the unions will think that the Government are taking over responsibility for ensuring that the plan is fulfilled (if that is possible). The revised text keeps the words "by the Board", but also includes a sentence on Government monitoring.
2. You questioned the sentence on page 4 - "and the Government will not stand in the way of decisions". This is indeed a sweeping assertion, and has been taken out.
3. Robin Ibbs wants the section in Edwardes' letter on deviation from the Plan strengthened. His point is that a "substantial deviation in performance" should automatically trigger a review of the Plan, and that it should not be left - as the present draft implies - to the Board's judgement whether such a review should be initiated. Edwardes is prickly about the precise wording here.

/ I think

I think Robin's point can be met by the addition of a single comma after "performance" - which hopefully Edwardes will accept.

R

23 January 1981