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From the
Minister of State

DEPARTMENT OF INDUSTRY
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28th January 1981

The Rt Hon Sir Geoffrey Howe MP QC
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

D Geoffrey,

BL: FINANCIAL LIMIT

I understand that you have not yet taken a view on my letter of 27 January about the financial limits for BL to be incorporated in the Industry Bill. As you know, it is essential that a reference to the Report Stage should be included in the Business Statement tomorrow (29 January) if we are to stick to our present timetable.

2 It occurs to me that an additional factor we need to bear in mind is the political difficulty of not making legislative provision for more than two years now. New primary legislation in early 1983 would be within about a year of the last possible date for a General Election.

3 I do not think that providing for BL's financing requirements beyond the two years carries the necessary implication that we will provide further Government finance: the financing limit relates to the total external financing requirements of companies owned by the Secretary of State and might in principle, therefore, relate entirely to private sector finance.

4 Moreover, the proposed provision allows for a break-point at the end of two years with extension beyond that subject to affirmative resolution. So the Parliamentary interest is fully protected.

5 In view of the political aspect I am copying this letter to the Prime Minister in case she has any views on it in relation to the timing of a General Election. My own view is that on balance it would be best to go for the larger sum, avoiding the need of further embarrassing legislation whilst making it clear that this in no way presumes that further Government money will be provided.

Am. Minister

The proposed increased financial limit of £1,700 is enormous. But it covers non-government finance as well, and it would last for more than 2 years. We could just provide for 2 years, but then primary legislation would be required in 1983 - before the election.

*Agree - reluctantly
not.*

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[Signature]

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