

27 February 1981

Policy Unit

→ John Hoskyns

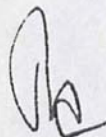
PRIME MINISTERBRITISH LEYLAND

You will remember that Keith raised the question, just before Christmas, of CPS doing some further analysis of the implications of liquidating BL. The Policy Unit argued that the Treasury looked purely at PSBR effects and not at a proper cost-benefit analysis. We have in fact taken the first steps towards cost-benefit analysis, involving Alan with CPRS.

I have had further discussions with CPS, in particular with John Redwood of Rothschild's and Dr Alex Rubner (by whom I was impressed). They are prepared to do further work to establish a more realistic assessment of what would happen if BL was liquidated. I have told them that they should not put this work in hand if you have already taken a decision that liquidation of BL is simply not a starter between now and the next Election.

To some extent it is a chicken-and-egg situation. If the analysis showed that we could absorb the break-up of BL much more easily than the Treasury realised, then the colleagues might be ready to face reality over BL. If you think that liquidating BL is at least a political possibility, then I would suggest that CPS aims to prepare a paper before the summer recess, so that E members have got time to read, think and understand what the BL decision is really all about, well before the begging bowl comes round yet again.

Do you think it is worth CPS putting this work in hand?



Yes not

JOHN HOSKYNS