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DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 7691  
SWITCHBOARD 01-212 7676

From the  
Minister of State

PS/Norman Tebbit MP

Prime Minister

A not wholly satisfactory progress report. But content to let Mr Tebbit proceed as he suggests at XI below?

Tim Lankester Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Yes

14 April 1981

TLW  
Hmi.

mt

Dear Tim

BL FUNDING: CLEARANCE WITH THE COMMISSION

Thank you for your letter of 5 April conveying the Prime Minister's comments on my letter of 31 March. Mr Tebbit has asked me to let you have the further report on developments which was promised in my letter.

The Minister duly discussed this dossier with Mr Andriessen on 7 April in Groningen in the margins of the Informal Council of Industry Ministers. Mr Andriessen told him that he was willing to recommend his Commission colleagues at their weekly meeting on 8 April to approve straight away the payment of £380 million to BL, and to open the procedure under Article 93(2) of the Treaty of Rome in respect of the balance of the proposed £990 million of funding pending further examination by the Commission of the justification for this. Mr Tebbit pressed him to increase the figure for immediate approval to £400 million (the sum which BL estimate they will need in the next few months), drawing attention to the presentational problems with which he would be faced if the Commission appeared to be making difficulties. Mr Andriessen said that this was not at all his intention; the Commission was open-minded about the case, but needed more time to examine it. Mr Andriessen subsequently resisted pressure from the British Commissioners at the Commission meeting itself to go to the higher figure.

Mr Tebbit considers that, although the £380 million is less than he had hoped for, there is a good case for being understanding towards Mr Andriessen's tactics: it is in the UK's wider interest that the Commission should be tough with the aid schemes which are about to be put forward by other Member States, particularly in the steel sector. Moreover, in the case of BL, Mr Andriessen has agreed to the minimum of publicity about the opening of the Article 93(2) procedure.

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Other Member States' Governments have to be informed of this by letter to give them an opportunity to comment, but there will be no multilateral meeting about the case, no announcement by the Commission on the opening of the procedure and no consultation of other interested parties by means of a notice in the Official Journal. Mr Andriessen has also promised that the Commission's further consideration of this case will be brought to a speedy conclusion.

X In the circumstances, the Minister thinks that he and officials should proceed coolly into the next stage of discussions with the Commission in the expectation of reaching a satisfactory outcome by the end of June, if possible. He has left Mr Andriessen in no doubt that he would be unable to accept a refusal by the Commission to clear the BL plan, and that Parliament would take the same view. If trouble seems likely to develop, the Prime Minister and other colleagues will be informed in good time so that they can consider the Government's response, including the possibility of direct intervention through Mr Thorn before a final Commission view is reached.

I am copying this letter to the private secretaries to all members of E Committee, David Hayhoe (CDL), James Nursaw (Law Officers' Department) and David Wright (Cabinet Office).

*Yours sincerely*

PETER MASON  
Private Secretary

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