



10 DOWNING STREET

From the Private Secretary

3 July 1981

The Prime Minister has asked me to thank you for your letter of 26 June in which you inform her that United Technologies has now made the final decision to close the Cowes plant.

As you know, the Prime Minister and Mr. Kenneth Baker, Minister of State at the Department of Industry, discussed the difficulties facing Elliott Turbomachinery Limited with Stephen Roosm MP, on 18 May. It was apparent to them all that the basic problem was the inability of United Technologies and prospective purchasers to agree on mutually acceptable terms for the sale of the Cowes operation and the compressor licence. Kenneth Baker, following that meeting, spoke to the Vice-President of United Technologies on three occasions to impress on him the view that every avenue should be explored to try to arrive at a satisfactory solution. He was, however, left with the clear understanding that against the background of serious overcapacity United Technologies was not prepared to sell its Cowes operation on terms which were acceptable to firms which had expressed an interest in the plant. The Prime Minister understands that you and your colleagues discussed this subject again with Mr. Baker on 30 June.

In these circumstances, the Prime Minister regrets that there is no way in which the Government can protect the Cowes factory since its viability depends both on a flow of orders and on a satisfactory arrangement with United Technologies. Unfortunately all discussions have indicated that these two essential conditions cannot be met.

Kenneth Baker is following up the suggestions which were made to him at your recent meeting in the hope of minimising the difficulties caused by the closure.

M. A. PATTISON

A.G.R. Hardy, Esq.

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