

SECRET

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SECRET

DEPARTMENT OF INDUSTRY
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From the
Minister of State
PS/Norman Tebbit

*cc Mr Lyden
Mr Hodgson
Mr Wolfson*

Prime Minister

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

Yes Mr.

Content?

27 January 1981 *27/1*

Dear Tim

NISSAN

I attach a draft statement which my Minister (since our Secretary of State may not have returned to the office by then) intends to make to the House of Commons on Thursday 29 January.

The terms of the statement were agreed this afternoon at a lengthy meeting with Nissan chaired by my Minister. It was the result of detailed negotiation and in Mr Tebbit's view represents the most positive statement of their position to which Nissan was prepared to agree and the least fulsome endorsement by HMG. It is thus not really open to amendment unless of course the Prime Minister is in strong disagreement with its terms.

Officials here will be having further talks with Nissan over the next 24 hours to ensure that back-up questions from the press are answered with a common voice. I should be grateful if you would seek the Prime Minister's approval of the statement.

I am copying this letter to George Walden (Foreign and Commonwealth Office), John Wiggins (HM Treasury), Robin Birch (CDL), Richard Dykes (Employment), Stuart Hampson, (Trade,) David Wright (Cabinet Office) and Robin Ibbs (CPRS).

*Yours ever
Peter Mason*

PETER MASON
Private Secretary

**SECRET**

With permission, Mr Speaker, I would like to make a statement about the motor industry

The Nissan Motor Company has approached Her Majesty's Government to seek their views upon the company's intention, subject to a feasibility study, to establish a substantial car manufacturing operation in the United Kingdom. The Government have given a warm welcome to Nissan's proposal and are prepared in principle to give them their approval and support.

Nissan's proposals are to start building a car manufacturing plant, including an engine manufacturing facility, in a Development Area or Special Development Area in 1982 and to begin production at the end of 1984, reaching the full figure of 200,000 cars a year by 1986.

It is Nissan's intention to achieve a very high local content involving UK and other EEC suppliers; the local content at the start of production would be 60% and the company's objective would be to increase this to 80% as soon as practicable after full production is reached. The company is confident of achieving a high level of exports from the UK.

The feasibility study is expected to last 4 months and to cover a range of matters including location. Two matters

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VLB



FILE Japan

26 cc FCO
HMT
CDL
D/M
D/T
CO CPRS

10 DOWNING STREET

From the Private Secretary

28 January 1981

RC Ingham
Hoskyns
Watson

The Prime Minister has seen your letter of 27 January about Nissan and is content with the draft statement enclosed with it.

I am sending copies of this letter to George Walden (Foreign and Commonwealth Office), John Wiggins (HM Treasury), Robin Birch (Chancellor of the Duchy of Lancaster's Office), Richard Dykes (Department of Employment), Stuart Hampson (Department of Trade), David Wright (Cabinet Office) and Robin Ibbs (Central Policy Review Staff).

T. P. LANKESTER

Peter Mason, Esq.,
Department of Industry.

~~SECRET~~

see lnd to fu
3/2/81

HC

2 February 1981

The Prime Minister has asked me to thank you for your telegram, and has noted your comments about the possible location of the proposed Nissan plant in Northern Ireland.

TPL

J.A. Phillips, Esq.

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Superior

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747657 LAUREL G

THE RIGHT HONOURABLE MRS M THATCHER - PRIME MINISTER

I WAS DELIGHTED TO HEAR ANNOUNCED ON THURSDAY'S EVENING NEWS OF THE POSSIBILITY OF DATSUN CARS BEING MADE IN GREAT BRITAIN BY THE NISSAN MOTOR COMPANY.

WE, AS DATSUN DISTRIBUTORS FOR THE NORTH OF IRELAND, REQUEST THE FEASIBILITY PROBE TO BE EXTENDED TO NORTHERN IRELAND. THE UNEMPLOYMENT HERE IS ONE OF THE HIGHEST OF ANY E.E.C. COUNTRY AND THE QUALITY OF UNEMPLOYED INCLUDE VERY HIGH ENGINEERING SKILLS. THESE SKILLS, COUPLED WITH THE EQUIPMENT AND FACTORIES READILY AVAILABLE, COULD QUICKLY BE ADAPTED TO PRODUCE COMPONENTS FOR THIS OPERATION.

I TRUST THAT NORTHERN IRELAND WILL BE GIVEN SERIOUS CONSIDERATION IN ANY NEGOTIATION

SIGNED

J A PHILLIPS
CHAIRMAN
PHILLIPS (DATSUN DISTRIBUTION) LIMITED
226 YORK STREET
BELFAST
BT15 1HD

747657 LAUREL GM

See page 5.

Nissan

PA (Nissan)

TRANSCRIPT OF PRESS CONFERENCE HELD ON THURSDAY, 29 January 1981
by Mr Norman Tebbit, MP, Minister of State for Industry and
Mr Masataka Okuma, Executive Vice-President of Nissan Motor Company Ltd
at the Department Of Industry, 123 Victoria Street, London SW 1

Mr Tebbit:

Gentlemen

Mr Okuma on my left here has been the guiding spirit, I think behind this project, alongside and from our side, Lord Trenchard, who as you know is now at the Ministry of Defence but was involved in this project for long before I came into this Department. You will have seen the statement which I made in the House. It is, I think, at this stage very hopeful and is the culmination of a great deal of the work which is done all the time to encourage investment into Britain and I had it very much in my mind as I was speaking at a seminar in Switzerland yesterday about inward investment to Britain that today I would be making this statement in the House of Commons. I don't think you want me to go through the statement again and I would be very happy and I know Mr Okuma, Mr Kume and Mr Mihara would be very happy to answer your questions as well.

Q.

like it to go Mr Tibbett?

We would like it to go to an assisted area.

Q ...

And that's for the company to decide. I don't want to impose conditions on the company which would damage the chances of this project going through and being profitable. So far as the amounts of money are concerned, the grants which will be payable the assistance is exactly the same as would be offered to any other company British or foreign doing the same thing.

Q. ...

I think I would like to stick very precisely by saying it will be treated like any other company British or foreign, because for example, there are things like training assistance which could come if it went to some parts of the country things of that sort so I wouldn't want to mislead you.

Q. ...

Mr Tibbett replied:

Mr Okuma hasn't yet decided how much it will cost him to build the factory and put the machinery in so we can't make an estimate.

Q.

Mr Okuma replied

At the present time our estimate is £200m or more for equipment and plant excluding working *capital*.

Q

Mr Okuma replied

That is impossible to say at the present time because it depends on in what area we are going to build plant and the degree of grant is different in case of so-called special development area and development area.

Q.

Mr Okuma replied

We have searched three areas but we have not yet decided.

Q.

Mr Okuma replied *or*

Ah yes, a special/ordinary development area

Q.

Mr Tibbett replied

Could I ask gentlemen that you not all ask questions together and ask them rather clearly, because Mr Okuma and his colleagues speak much better English than I do Japanese, but sometime some of you from special development areas may have accents that he is not totally familiar with. ...

Q.

Mr Tibbett replied

No. The enterprise zones are not sufficiently large to accommodate the sort of factory which Nissan have in view.

Q.

Mr Okuma replied

Well I have the same experience in case of the United States and we are now going to build something of a plant in the State of Tennessee

Q.

Mr Okuma replied

The question as to the location came up in the United States because of the now commercial considerations if I visit a certain area naturally the price of the land is to rise and so and so. So I cant say at the present time.

Q.

Mr Tebbit replied

I think you got it fairly clearly that Mr Okuma and I are being very quiet about that matter

Q.

Mr Tebbit

Well the first thing I hope that going to happen is that we shall import less than 860,000 motor cars which is what we imported last year and that would be beneficial to the British economy as a whole and I think that it could have very beneficial effects on the motor industry because I am sure that everyone would learn from what Nissan do in Britain how to improve their own performance not least the manufacturers of components who I think will gain immensely from the experience of tendering to Nissan in the same way that perhaps many companies in another field have gained from doing business with Marks & Spencers. The purchaser can help the industry from whom he buys enormously.

Q

Mr Tebbit

If I may say so, that is a question you should ask the European industry.

(Question was whether Government had studied impact on European industry)

4.
Q.

Mr Tebbit

Well we hope that it will mean that instead of us having quite so many ~~more~~^{fair} examples Volkswagen cars built in Germany by Turkish labour come to Britain but we will have rather more Nissan cars built by British labour going to Germany and that would seem very fair in a competitive world and I know our German friends are very keen on good fair free competition.

Q.

Mr Okuma

Well, we are going to build a manufacturing plant in Britain and this is also local ~~plant~~^{content} level is substantial around 60% eventually rating 80% when perfected. This is the British company which manufactures motor cars here in the United Kingdom, so as any other company which manufactures motor cars in Great Britain this company also naturally should export its products to EC countries and other areas.

Q.

Mr Okuma

We have no intention to attack *European* area more strongly Just as I said earlier We will want to build a manufacturing plant in Britain and manufactured goods will be sold in Great Britain as well as to overseas markets.

Q.

(Question is about impact on inter-industry restraint talks).

Mr Okuma

I think that it is nothing to do with export from Japan, because now this is a British company which manufactures motor cars in Britain so as the other car manufacturers in Britain do this company can do I think so.

Q.

Mr Okuma

Well I do know our name the name of Datsun is very well received and I believe respected our products are well received, and our customers appreciate us. And also we have very good dealer network throught the United States, United Kingdom and we have well qualified labour force to my judgement. We have here in the United Kingdom good components

Nissan.

industry and besides Japan and the United Kingdom have excellent historical relationships and also we have many cases of success of other Japanese companies who have their factories in United Kingdom. This fact suggest to us that the United Kingdom is the right place to invest and also I have confidence in the long term economic strength of the United Kingdom and also I would like to emphasize that we have been mostly welcome by the British public; and it is right to say that we should go to a place where we are welcome.

Q.

Mr Okuma

In eventual/final stage that is to say 200,000 units a year reaching 80% *local* content level, from 4000 to 5000 employees will be employed and of course besides these in-direct employment will be increased by automotive components industry and etc.

Q.

Mr Okuma

Since many *of years* Nissan has been considering to have our manufacturing facilities in some place in the European area however it was since the middle of last year Nissan began serious study or consideration as to planning to invest in the United Kingdom. We have some investment in Italy with Alfa Romeo, limited investment in Italy with Alfa and also limited commercial vehicle arrangement in Spain with Motor *Iberia* but this is limited investment therefore investments in the United Kingdom is the major investment in the European area.

Q.

Mr Tebbit

This is a matter for Britain to encourage inward investment and I believe that every country in Europe does the same.

Q.

Mr Okuma

For the reasons which I mention a little time ago we choose the United Kingdom would be the best place to invest, of course we have compared various things and matters with other countries but our conclusion was the United Kingdom is the best place to go.

Q.

(Question about grants available) and whether HMG had signed agreement of EC Commission before welcoming Nissan

Mr Tebbit

We haven't discussed as has been explained the project in detail but Mr Okuma knows very clearly what is available through our regional policy and our policies for the assistance of industry and he knows that those aids are agreed and approved by the European Commission.

Q.

(Question: does figure of £200m or more include engine plant - is it a total figure?)

Mr Okuma

The total amount.

Q.

(Relative to comparison with assistance given to Ford engine plant)

Mr Tebbit

Sir Harold Wilson is no longer Prime Minister

Q. Could we have some guidance on how much it will cost the British Taxpayer?

Mr Tebbit

No not at this stage. No its simply not possible the scale of grant is different in a SDA to an assisted area so really until we know precisely where the plant goes and the balance of the investment between buildings and equipment and things of that sort it is simply not possible to say.

Q.

Sorry I meant Mr Callaghan.

Q.

Mr Tebbit

No I can't say because the whole essence of selective aid is that it is decided on the precise basis of the project when the project comes forward so I cannot say in advance and give the answers to what are at the present moment hypothetical questions.

Mr Okuma

I appreciate very much the grant system of the British Government but I can safely say that grant is not the major reason for us to choose the United Kingdom.

Q.

Mr Okuma

Well things that I have mentioned before.

Q.

Mr Okuma

Now it has nothing to do with however I can say that this company will be a British company therefore its problems can be solved in the United Kingdom Ec other countries. Nothing to do with the any form of restraint arrangements towards direct imports.

Q.

(About impact on voluntary restraint arrangements)

Mr Tebbit

I think that I can't say, these are arrangements between the two industries and no doubt they will go on what we are looking at is a plant which if all is successful and lets make that plain all the time that the commitment is to a feasibility study of this stage, if all is successful it will come into production towards the end of 1984. Well who knows what arrangements there will be then.

Q. (Has Nissan considered collaboration with other manufacturers who may have excess capacity in the UK?)

Mr Tebbit

I think because Nissan is coming to build an extremely modern fully up to date plant to produce their motor cars and what ever is that the other plants and the other companies must make their own arrangements. There are 800 or there were 860,000 imported motor cars sold in Britain last year its up to Vauxhall, Leyland, Fords Talbot to get into that market.

Q. (About development of UK design facilities)

Mr Okuma

In the first stage of course models which will be produced in the United Kingdom are the models which Nissan Motor Company back in Japan have developed. However we have the idea I dont know how many years it takes but eventually we want to develop what shall I say the capabilities to design its own motor car here in the United Kingdom, but this sort of thing can only be done after you know this company's manufacturing operations, ~~It will~~^{is}, you know, on stream.

Q.

Mr Okuma
No No No.

Q.

Mr Okuma

Engines and transmissions will be within the company manufactured and probably body panels will be also within the company.

Q.

Mr Okuma

Well not answering to that question but rather I will refer to what kind of components or parts will be locally manufactured or procured. Standard parts and semi-standard parts, large trim parts will be locally produced and of course an assembly of engines transmission axel and steering will be done within the comapny with some parts purchased inthe United Kingdom or EEC.

And as to body welding, painting and assembly operations will be done within the company. This is the first stage that is to say 60% and when we reaches 80% additionally body panel will be within the company and also machinery of engine parts such as block, heads and so on will be done within the company.

Q.

Mr Okuma

We had the intention to build our own manufacturing plant in the United Kingdom however we could not know whether the British Government welcomed us and support us therefore we approached the British Government to seek the British Governments whether their response on our intentions and very fortunately we could find out that the British Government welcomed Nissan and supported us strongly. Therefore we decided to launch a feasibility study. Until now we have not approached any local person, or any local companies except the Government. This is a true fact so far. Therefore our final decision will be made after the feasibility study is completed and the outcome of the feasibility study is to be found out satisfactory.

Q.

(Any other talks with Japanese manufacturers?)

Mr Tebbit

Again we dont deal with hypothetical questions. I think rather the question would be now whether seeing the intention of Nissan provided all goes well to build a plant in Britain other manufacturers would take the view that they wanted to enter into this market here in competition with Nissan as well as Leyland and our other manufacturers. Now I dont know what their commercial judgement would be and before I could say what our response would be I want to see who came forward with what sort of ideas. Again it is a very hypothetical question.

Q.

Mr Tebbit

Again one of the requirements for any operation of this sort is confidentiality and I am very happy to say that it was only the day before delivery that the 9 month pregnancy which had been involved in this project was discovered and if I were to be engaged in any talks with any other companies the last thing I would do would be to make a statement about them in a Press Conference here today.

Q.

Mr Tebbit

I don't think that follows at all. I think you are assuming that we are not going to be able to buy into that 860,000 motor cars that were imported into Britain last year. Why are you all so negative. It really is quite extraordinary.

Q.

Mr Tebbit

No. Nonsense. Absolutely untrue. If Nissan could only bite into its own market it would never have established a market here in the first place.

Q.

Mr Tebbit

What I would say is that every country in the Common Market is looking for inward investment in manufacturing industry we are and I hope we shall secure it and as I say that these motor cars will be built by EEC citizens and not by non-EEC immigrant labour.

Q.

Mr Tebbit

I have the same degree of confidence as Nissan. That is to say that I know that Nissan want to do it I also know that the feasibility study is to be conducted and I specifically

referred in my statement in the House today to two key areas (which would have) on which the company would have to be satisfied. The ability of the local component manufacturers to respond to Nissan's requirements and the company's convictions about the stability of good industrial relations and clearly that would be a matter for the company to decide when it talks to some of those involved.

Q. 7

Mr Okuma

No No NO I haven't meet any problem on this particular subject, if you have a million pounds that is good enough.

Q.

Mr Okuma

Including everything, but you know inflation is going up and nobody knows how much it will proceed. So taking the safer side like I said £200,000 000 or more.

Q.

Mr Tebbit

Well we would like to see as many exported as possible and thats going to be a challenge to all of us sofar as the advantage on balance of payments goes that depends how successful we are in exporting and how successful the British component industry is in supplying and indeed how successful for example British Steel is in supplying, because as you all know that today British Steel supply a great deal of steel to Leyland but I think not nearly so much to Ford. So, you know we have just got to be sufficiently competitive to meet the requirements of Nissan to manufacture in this country, our industry has got to be that competitive and if we cant do that here we are going to import ready made motor cars inevitably.

Q.

Mr Okuma

Nothing is ruled out but at the present time we are thinking what shall I say, greenfields site operation.

Q.

(: Talks with Talbot)

Mr Okuma

No discussion, no negotiations has been carried on regarding what is the name? - Linwood, no no nothing. Just false information appearing in the newspaper.

Q.

Mr Tebbit

We support all inward investment unless we can see that it would be damaging to the British economy. Of course we were aware that if we rebuffed Nissan and said we didn't want them to come here that they would naturally go to some other country in Europe. Of course that is a common experience isn't it? I must close this before too long.

Q. Do you have any plans to raise the money in Britain or would the money you would find come from Japan?

Mr Okuma

This investment is the largest investment of Nissan outside Japan and I think this investment is the largest investment of a Japanese manufacturing company in Europe, therefore very detailed study is needed and of course as we discussed some time ago grant is available and this would assist our finance.

Q.

Mr Okuma

That kind of thing is also dependent on the detailed study in the future.

Q. How large an area

Mr Okuma

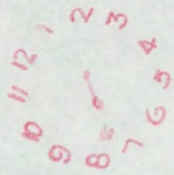
We are now considering 800 acres of single units of 800 acres

Mr Tebbit

Thank you very much gentlemen, ladies and gentlemen I very much hope somewhere towards the end of 1984 Mr Okuma may feel able to invite you to the factory to see the first cars coming off.

Thank you very much.

FEB 5 1981





DEPARTMENT OF INDUSTRY 12
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PS/ *Secretary of State for Industry*

16 January 1981

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

cc Mr Lykan

Dear Tim

*R
WJ*

NISSAN

The company has now been informed of the Government's decision as proposed in my Secretary of State's minute of 22 December to the Prime Minister. This is just to let you know that if all goes well the probable date for a public announcement will be Thursday 29 January. My Secretary of State would propose to make a Parliamentary Statement on that day. I will let you know when arrangements have been firmed up.

I am copying this letter to John Wiggins (HM Treasury), George Walden (Foreign and Commonwealth Office), Stuart Hampson (Department of Trade), Robin Ibbs (CPRS) and David Wright (Cabinet Office).

Yours ever
Catherine
 CATHERINE BELL
 Private Secretary

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COMMUNICATIONS