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From the  
Minister of State  
PS/Norman Tebbit MP

Tim Lankester Esq  
Private Secretary to  
Prime Minister  
10 Downing Street  
Whitehall

*✓* *Mr. Lankester*  
*ms*

*Primi Minister*  
*Progress report*  
*on the Nissan feasibility*  
*study.*  
1 June 1981

*Dear Tim*

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Nissan's feasibility team has just returned to Japan at the end of the UK phase of their study, and Mr Tebbit thought it would be useful for colleagues to be aware of the present position.

Mr Kawai, the leader of the team, called on officials here on 22 May before returning to Tokyo at the end of the UK phase of the study. A dozen or so Nissan executives have been in the UK studying sites, component supplies, construction questions and markets. They will now take some weeks to analyse the information obtained and present preliminary conclusions to their Board, but said they expected to return to the UK in mid-July to report either on their conclusions or on progress towards reaching them.

Meanwhile, they were clearly reluctant to give any firm indication of preliminary results. As to the cost of component supplies, they said that these ranged between certain components where prices similar to those obtainable in Japan had been quoted (eg aluminium castings) to others where the quotation had been roughly twice the Japanese level. They emphasised however that these were first quotations on sample parts from existing models, and did not allow for any reduction in price during negotiations. As to sites, the conclusion appeared to be that there were various locations which would meet their requirements, and that they would now narrow the choice further at this stage. On markets, Kawai emphasised the difficulty of exporting profitably at the cost levels they had found and with the sterling parity where it now was; but there were indications from other members of the team that their primary concern was whether we would be able to secure free access throughout Europe for the products of a UK Nissan plant, so as to secure an adequate volume of exports which were necessary for the viability of the plant.

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Generally, officials gained the impression that the study was still being pursued actively and that the prospects remained reasonably favourable, though the indications of component costs are cause for concern.

We expect the next stage to be in mid-July, when we would hope to get down to more detailed negotiations with Nissan on the timing and amount of local content. Meanwhile, to put pressure on Nissan, we have emphasised the growing European pressures for restrictions on exports of built up cars from Japan and the Council of Ministers' statement seeking "analogous" arrangements to those recently agreed between Japan and the US.

I am sending copies of this letter to the Private Secretaries to members of E(EA) to Sir Robert Armstrong and Mr Ibbs.

*Yours sincerely*

*Peter Mason*

PETER MASON  
Private Secretary

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