

*SUBJECT*  
*ce Manis*



MISS STEPHENS

Please arrange meeting  
MS

10 DOWNING STREET

From the Private Secretary

*Mr. Scholer*

7 July 1982

*1730 on 2 to 26-1*  
*Tuesday 27-01*

Dear Jonathan:

SYSTEM X

The Prime Minister had a word with your Secretary of State yesterday morning about System X. The Chancellor of the Exchequer was also present.

The Prime Minister said that, following a discussion she had had with Lord Weinstock, she was most concerned about the moves the Government was making to improve the arrangements for development and marketing of System X. She had seen a copy of the letter which BT had written to GEC, Plesseys and STC, and there seemed to be a considerable discrepancy between what was said in this letter and the terms of her summing up of the ETP meeting on 22 April.

Lord Weinstock had made particular criticism of the proposal to open up 30% of BT's procurement to overseas competition. She had been impressed by these and by other points which Lord Weinstock had put to her, and now questioned the wisdom of the course upon which the Government were embarked.

Your Secretary of State said that he had made it clear from the start that the Government's attempts to improve the arrangements for System X would be controversial with the companies concerned. But it was necessary to act in this way to get the right result. There was no question of it being the case, as Lord Weinstock had alleged, that there was a pre-arranged plan to give all this business to Plesseys. The fact was that the marketing of System X had been going very badly, that the arrangements between the companies were cumbersome and ineffectual, and that it was necessary to bring about some improvement.

The Prime Minister said that she would be convening a small meeting before the Recess with your Secretary of State, together with Mr. Baker, to consider these matters further.

I am sending copies of this letter to John Kerr (HM Treasury), Neil McMillan (Department of Industry) and David Wright (Cabinet Office).

*Yours sincerely,*

*Michael Scholer*

Jonathan Spencer, Esq.,  
Department of Industry.