



Ind. Pol.

From the Secretary of State

Prime Minister (2)

COMMERCIAL - IN CONFIDENCE

MARKET SENSITIVE

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
London
SW1E 6RB

[Handwritten mark]

Good.

MS 28/10

27 October 1982

Dear Patrick,

ALCAN/BACO

Thank you for your letter of 26 October about Alcan's proposal to bid for Baco.

I recognise that a quick decision is needed, and in the circumstances have agreed that confidential guidance should be given to the two companies that on the facts before me I would not propose to refer the bid to the Monopolies and Mergers Commission. This guidance will be provided in time for the Alcan parent Board meeting on Thursday 28 October.

Copies of this letter go to the Prime Minister, Nigel Lawson and to Sir George Younger.

[Handwritten signature]

LORD GOCKFIELD

COMMERCIAL - IN CONFIDENCE

MARKET SENSITIVE

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE



JF1806
Secretary of State for Industry

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

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

26 October 1982

Lord Cockfield MP
Secretary of State for Trade
Department of Trade
1 Victoria Street
LONDON
SW1H 0ET

Prime Minister (2)

MS 26/10

Dear Arthur,

ALCAN/BACO

I understand that you will be considering later today whether confidential guidance should be given to Alcan immediately on the bid which they are known to be contemplating for the whole of BACO.

2 I recognise that it might seem odd to give such guidance now, when the matter has been public knowledge and before hearing the views of other interested parties. For that reason it could only be quite exceptional circumstances which could justify considering such a course of action. I believe these exceptional circumstances do in fact exist, and I urge you to consider whether you should not respond favourably to Alcan's proposals before the Board Meeting of the parent company in Canada on Thursday. In the current state of the international aluminium market the takeover by Alcan of BACO's business is by far the best guarantee the UK can have of continued activity in that area, together with an appropriate measure of future financial support. Until relatively recently the Alcan Board Members in Montreal were so convinced of the industrial logic of this proposal that they had virtually authorised the UK management to make a bid, subject only to final approval by them. But this position has now changed. Alcan will be registering a loss on its worldwide business for the last quarter, and this is the first time that this has happened in the life of the company. Future resource allocation and cash flow has therefore come to the forefront. As a result, the Chief Executive has called for a preliminary meeting before the Board to examine not only this proposal but options for the use of resources, and it is vital that we should do all we can to ensure that a conclusion favourable to the UK is reached. One can well understand the



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

concern on the part of the UK management that the UK Government's attitude is made known to the Board in as convincing and explicit terms as possible. Otherwise there is a serious possibility that the Board will either decide not to proceed at all (which seems rather unlikely) or to postpone a decision in which case an offer cannot be made. This is bound to have adverse consequences not only for the business in the UK, but for BACO and its parent, TI, whose financial position is also a matter of considerable concern to me.

3 If you would like to have a word this evening I shall be very ready to do so.

4 Copies of this letter go to the Prime Minister, and to Nigel Lawson at the Department of Energy.

Your
Patrich

26 OCT 1982

