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PERSONAL AND CONFIDENTIAL

Mr F E R Butler  
Principal Private Secretary to  
The Prime Minister and First Lord of  
The Treasury  
10 Downing Street  
LONDON SW1

CP/516

*Dear Robin,*

1. Mr. Turnbull - to see  
2. Pl. file

9 December 1983

Since writing to you on 1 December, I have been informed by my Chairman's office that they believe that on reflection the first sentence in brackets in para 5 of my letter would convey a more accurate impression if it read:

"I understand, incidentally, that the alternative order we have in view would involve significant business for the company, although not for equipment of its own architecture."

Things have moved on since we met. After a meeting with the Secretary of State for Trade and Industry on Tuesday, we are indicating to the company that - out of a complete deal worth some £140m over 2 years or so - the scheme we have in view comprises:

- (1) An immediate order, worth about £2.5m, for a single development machine.
- (2) Over the next 2-3 years, some £140m of business, half of this in main-frame computers and half in terminal equipment - divided equitably between the company and other manufacturers of machines of compatible architecture. (Multi-sourcing of computer equipment is, of course, a policy BT has pursued for some years.)

*Yours ever,*

*Clive*

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Mr F E R Butler  
Principal Private Secretary to  
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10 Downing St  
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CP/468

1 December 1983

*John Redwood*

1 Thank you for seeing me this morning. This is just to confirm my understanding of the outcome. We agreed that the fact that I had been to see you should not be conveyed to DTI. (It may be that it would be helpful for it to be so later, of course.) Only my Chairman and I have copies of this letter.

2 I told you that my Chairman has been put under pressure, so far by word of mouth only, to acquire a 100% interest in a certain company and that this pressure included strong hints to the effect that it originated from the apex of Government and that the Government's general favour towards BT might be abated if we did not play ball.

3 I went on to say that my Chairman wished to be as helpful to the Government as he reasonably could, although he was pretty fully occupied now and for the foreseeable future with substantial problems, mainly to do with gearing BT up to make a success when it goes private. He, for his part, was far from ruling out as a matter of principle acquiring the company in question, but he had powerful reservations about that organisation as it stood as well as qualifications about the financial conditions under which a takeover might be arranged.

4 I mentioned later that John Redwood is coming here tomorrow to see the Chairman, although the two things are not related.

5 You had not before heard of the suggestion noted in para 2 above. You had discussed the company in question with the Prime Minister last weekend, with regard to the current question of the contract to replace certain systems etc here. Mrs Thatcher naturally was keen that the company should get the contract but reluctant to put pressure on a business to make decisions which it did not believe were in its commercial interest. Naturally, too, she was anxious that the UK should have a firm base in the industry in question. (I understand, incidentally, that the alternative contract we have in view would be placed largely with the company, although not for equipment of its own design. I could let you have a note on that if it would be helpful.)

6 In summary, then, our position is as indicated in para 3. All else being equal - and I would guess that the prospect of this sort of takeover would have sizeable repercussions in business and industry and

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at Westminster - my Chairman might be able to be helpful under the right kind of circumstances, but he is not actively looking for extra troubles right now.

7 It was a pleasure to see you again, as always. And please give my best duty and compliments to the Prime Minister.

*Yours ever,*

*Clive*

