

SECRET : COMMERCIAL IN CONFIDENCE

NOTE OF A MEETING ON THE TAKE-OVER OF BRITISH AEROSPACE HELD  
ON 10 MAY 1984 AT 0930

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Present:

Prime Minister  
Secretary of State for Trade and Industry  
Chancellor of the Exchequer  
Mr. Lamont

The Secretary of State for Trade and Industry said he had seen Mr. Leister of Thorn/EMI to discuss the possible take-over bid for BAe. Mr. Leister set out why this made sense for Thorn/EMI.

i. it would create a larger enterprise with a greater capacity for R&D, particularly in the field of guided weapons.

ii. It would produce a better balanced company, making Thorn/EMI less dependent on the consumer sector.

iii. The cash flow from TV rentals would match BAe's cash needs.

Thorn/EMI were prepared to continue the civil aviation programmes of BAe which were all considered to be manageable though capable of improvement. Thorn/EMI were also prepared to take on several directors of BAe on to the board of the new company.

Thorne/EMI were prepared to offer cash or paper convertible immediately into cash. They were also prepared

to accept a blocking mechanism such as a golden share to replace the current 25% shareholding of the Government.

The Secretary of State for Trade and Industry regarded these developments as encouraging. Thorn/EMI were intending to maintain the BAe business. It would be necessary to define the golden share arrangement carefully to ensure that the Government did not find itself becoming involved in relation to parts of the existing Thorn/EMI business. He recommended that, if a bid were made, the Government should indicate that it was prepared to consider it but would leave the decision to the private shareholders. He did not believe the take-over would be referable to the MMC, though a counter bid by GEC might be.

The Secretary of State for Trade and Industry said the BAe board would soon face a difficulty. Their AGM was on Tuesday ~~and~~ The Chairman would need to consider whether he should say anything about the possibility of a bid, ~~He~~ and would need to take advice on what was required to fulfil Stock Exchange rules.

The Chancellor said it was crucial to secure the agreement of the BAe board as the Government would not want to be caught up in a contest ~~and~~ bid.

Summing up, the Prime Minister said it was agreed that the Government should consider such a bid carefully. The Secretary of State for Trade and Industry should arrange for the Government to receive merchant bank advice; should see the BAe Chairman as soon as possible; should put the Secretary of State for Defence in the picture; and in consultation with colleagues as necessary should prepare the terms in which the Government might respond if a bid were made.

BT

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