



CONFIDENTIAL
 COMMERCIAL IN CONFIDENCE
 MARKET SENSITIVE

DEPARTMENT OF TRADE AND INDUSTRY
 1-19 VICTORIA STREET
 LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
 GTN 215
 (Switchboard) 215 7877

JU397

Secretary of State for Trade and Industry

25 May 1984

Andrew Turnbull Esq
 Private Secretary to the
 Prime Minister
 10 Downing Street
 London SW1

Dear Andrew,

When I spoke to you on the telephone earlier this afternoon, I reported to you a conversation between Lord Weinstock and Sir Tin Pearce which took place this morning. This is in line with a number of approaches which have been made to this Department by GEC. It may be of use if I set out the line which we have adopted in all approaches from GEC.

*MMC
 U.K.
 Airbus*

2 We have stressed that the conditions set out in Mr Lamont's statement in the House on 16 May, made in relation to the discussions between Thorn-EMI and BAe, would apply equally to any other proposed merger. In particular, there would be the need to consider the merger in terms of a reference to the MMC; there would be a requirement to give effect to the undertaking that the company would not pass outside UK control; and there would need to be an undertaking that BAe's participation in the Airbus programmes would continue.

3 There is one further proposal emanating from GEC of which you should be aware. This is that GEC might offer to buy out the Government's shareholding. The motives for such a proposal are not clear; GEC might use the Government's 48% shareholding to oppose the Thorn-EMI bid; to make a gain for themselves by subsequent reselling the shares to Thorn-EMI; or to use them as a base for acquiring control of BAe. There are very considerable objections to such a proposal, not least because it would take away from the private shareholders in BAe the ability to determine the company's attitude to any proposal put to it. It would also, unless special provisions were made, run counter to the undertaking about a minimum shareholding to entrench the safeguards against foreign ownership; it would fall to be considered by the Director-General of Fair Trading; and the Takeover Code would, in any case, probably require a formal offer

CONFIDENTIAL
 COMMERCIAL IN CONFIDENCE
 MARKET SENSITIVE

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE



to be made to the remaining shareholders. For all these reasons,
we see very considerable difficulties in such a proposal.

4 I am copying this letter to David Peretz (Treasury).

Yours ever

Callum McCarthy

M C McCARTHY
Private Secretary

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE