

Prime Minister

SECRET

The point to emphasize is that once any of the bidders shows his hat will be very, he will be all fours with Thorn. It will be

1 June 1984

That surely HMA
is only
interested in
cash bid. We
do not want
EMI shares
AT '16

private
for shareholders to judge which is preferable
in terms of management and financial resources.
BRITISH AEROSPACE/THORN EMI

I understand in your discussions last weekend concerning a Thorn bid for British Aerospace, some points were made about the unsuitability of Thorn EMI as a suitor.

Does Thorn EMI have the necessary cash for the bid? Thorn does not have the money to make a cash bid for British Aerospace: it will be a share offer which forms the backbone of the Thorn terms when they are finally decided.

Thorn will, however, have a good cash flow in future years. The television rental business is maturing. Television rental only gobbles up cash when the number of sets out on rental is expanding rapidly. The replacement of sets with maintained volumes, or even some decline in the number of rented sets, will generate substantial cash for Thorn.

Is it suitable for a television rental and consumer electronics company to get involved in hi-tech defence? It may well be suitable, and is common in many other major companies. GEC, for example, mixes hi-tech defence (Marconi) with a consumer electrical division and with heavy electrical engineering. This should be a matter for shareholders of Thorn to decide.

Should there be a pre-emptive right for those companies that once owned portions of British Aerospace? In law, there cannot be a pre-emptive right. People were compensated when the business was nationalised, and now that the business is up for sale again, it must go to the best bidder, subject to monopoly considerations.

JOHN REDWOOD

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