



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

BL's 1983 CORPORATE PLAN

I have seen Patrick Jenkin's minute to you of 3 February but I am still not persuaded that we should provide BL with the extra £100 million they are seeking. In particular, I cannot agree that to refuse this further funding request would be a major breach of faith by the Government.

2. You will recall that when Michael Edwardes wrote to Patrick on 4 August he offered BL's firm commitment to certain specific objectives on the basis that: _____

"subject to approval of the 1983 Corporate Plan, the Government agrees to provide, in addition to the £990m already committed, such part of the £150m equity funding envisaged in previous Plans for the period after March 1983 as is not offset by estimated proceeds from the sale of minority interests and which can be demonstrated to be needed to fulfil the Plan"

The words I have underlined make it quite clear that the Government's agreement to provide additional funds was qualified and far from being an unconditional commitment.

3. Similarly, the fact that we did not compensate BL for the unexpected strength of sterling in 1981 does not seem to me to constitute any argument against adjusting their funding for 1983. On the contrary, it is clear that ~~the 1982 Plan was capable of~~

*BL's previous plans had enough slack
/absorbing*



in them to absorb
absorbing increased losses of £95m in 1981, *as a result of deteriorating* when economic conditions were ~~deteriorating~~. This suggests to me that the company should be well able to manage without funds of a similar size when the economy is performing better than their current Plan estimates.

4. I agree that we want to avoid any public argument with BL over the latest Plan. But the company are as much aware of the damaging effect this could have on confidence as we are. I certainly do not feel that concern about provoking an adverse reaction from BL should stop us from challenging the company about their need for a further £100m, on the basis I have set out above.

5. Incidentally, I cannot help being dismayed at the length of time the whole process has taken. The Corporate Plan currently under discussion is based on assumptions which were discussed with officials last May. It is little wonder that we find difficulty in reaching agreement with BL now when the Plan on which their proposals rest was drawn up so long ago.

6. Finally, on a separate point, I see that Patrick has suggested that officials should meet to consider ways of reducing the Government's exposure under the Varley-Marshall assurances. I am content for a study of this kind to be undertaken.

7. I am copying this minute to those who have received the previous correspondence.

A handwritten signature in dark ink, appearing to be 'G.H.'.

G.H.

7 February 1983

Incl Por: BL: P+ 7



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