

PRIME MINISTER

1) Mr Tumball

2) CF

I've asked for a brief
by tomorrow night.

Mr

and
30%

NISSAN

2.

1981
JW

Revised
Nissan position
19th to make.

Nissan has finally reached agreement with its union on the U.K. project on the lines described in Mr. Parkinson's minute to you of 3 August, 1983. Mr. Tebbit would like to make a statement announcing the project on Wednesday before he goes abroad in the following week. The text of the statement is attached (although subject to last-minute alteration). Do you agree that the statement should be made?

Either Mr. Kawamata or Mr. Ishihara will be in London for the announcement (there is some doubt about Mr. Kawamata's health). Agree to see whichever is in London together with Mr. Tebbit on Wednesday evening for a courtesy call?

Yes Mr

The formal position remains that Nissan is still negotiating with the union since the company want to hold the line as long as possible. I will guide the Press Office accordingly.

JF.

27 January, 1984



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Secretary of State for Trade and Industry

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27 January 1984

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

T Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Tim,

NISSAN

I am writing to confirm our telephone conversation about the Nissan project. The company has at last reached agreement with its union on the UK project, on the lines described in my then Secretary of State's minute to the Prime Minister of 3 August last year. In respect to the company's request for a rapid public announcement, before their Chairman's and my Secretary of State's commitments abroad in the week beginning 6 February, you confirmed the Prime Minister's agreement to my Secretary of State's making a statement to the House on Wednesday, 1 February.

... 2 I attach a copy of the most recent draft of this statement, which has been prepared in negotiation with Nissan. My Secretary of State may want to make minor alterations before Wednesday, but the substance - which reflects the deal agreed with Nissan - will not change.

3 It is not yet certain whether it will be the Nissan Chairman, Mr Kawamata, or the President, Mr Ishihara, who comes to London for the announcement, since there is some doubt about Mr Kawamata's health. Arrangements have been made for Mr Kawamata or Mr Ishihara, together with my Secretary of State, to pay a courtesy call on the Prime Minister at 7.30pm on 1 February.

4 Despite substantially accurate leaks from Tokyo, which have already been reported here, Nissan's formal position is that they have not yet reached absolutely final agreement



with Union. We cannot be sure how long this line will hold out; it is therefore most important that any press enquiries be directed to this Department. For the present, our line continues to be that we hope for an early and positive decision by the company. There would then naturally be an announcement to Parliament.

5 I am sending copies of this letter to Peter Ricketts and John Kerr, David Heyhoe, Janet Lewis-Jones, Alex Galloway, and to the Whips' Office in both Houses.

6 My Secretary of State has not seen this letter.

*Yours ever,
Ruth*

RUTH THOMPSON
Private Secretary



DRAFT PARLIAMENTARY STATEMENT ON THE NISSAN PROJECT

With permission, Mr Speaker, I should like to make a statement on the Nissan project. I am pleased to inform the House that the Government and Nissan have reached an understanding on the basis for a Nissan car plant in the United Kingdom. The Chairman of Nissan, Mr Katsuji Kawamata, and I have signed Heads of Agreement today. These are being published and copies will be available in the Library of the House later today.

Subject to a satisfactory outcome of negotiations with UK trade unions and local authorities, Nissan will proceed with the construction of a car plant in the UK. The plant will be on a greenfield site of substantial acreage (probably around 800 acres) in a Development Area or Special Development Area.

The first phase will be a pilot plant, which will begin production in 1986 and will provide an assembly capacity of 24,000 cars a year based on imported kits. These cars will however be treated as though they were built-up imports in the context of the understanding between the Society of Motor Manufacturers and Traders and the Japan Automobile Manufacturers Association, both of whom have given their agreement to this arrangement. This pilot phase will enable Nissan to establish the feasibility of further development. During this period Nissan intend to gain experience of general operating conditions in the UK and to develop effective relationships with local component manufacturers.



Nissan will decide, not later than 1987, whether to proceed to phase 2 which will provide capacity for 100,000 units on a full manufacturing basis. If Nissan decide to proceed to Phase 2, production will start by 1990 at 60% local content on an ex-works price basis. Full production will be reached in 1991, with 80% local content being achieved and maintained from the middle of 1991.

The Government will provide selective assistance of up to £35m, payable only if Nissan proceed to phase 2; this is equivalent to 10% of the total capital costs of both phases. In Phase I, the plant will employ directly between 400 and 500 people, and in phase 2 around 2,700 people, but particularly in phase 2 the total direct and indirect employment will be considerably greater.

I am sure that the House will join me in welcoming this project which represents an important opportunity to create fresh investment and jobs in the motor industry; because it will introduce a major, efficient new domestic customer for the UK components sector; and because it will represent a very constructive step forward in the dialogue between Europe and Japan on trade and investment.

27 JAN 1984

