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PRIME MINISTER

BL

Mr. Channon first saw the BL representatives after your meeting this afternoon. They were disappointed about the decision, but took it reasonably well. The BL Board plan to meet at 1800 on Sunday. The GM decision will probably be known by then. If GM have decided against the Government proposal, the choice for the Board will lie between the management buy-out and Lonrho, or neither of them. The Board expect to need further time to consider these bids, and might take 2 - 4 weeks over the decision. They would also need to consider the bid for Leyland vehicles from Lancashire Enterprise Board.

Mr. Channon will see representatives of the BL Board later on Sunday evening.

Mr. Channon put the Government's proposal to GM. He discouraged them from giving an answer on the spot, but they said they would be recommending Detroit to turn down the proposal. DTI's view is that the answer will definitely be no.

DTI were keen to have a meeting of the smaller group early on Monday morning, followed by MISC 126 and a statement on Monday afternoon. They feel that the story is bound to break very quickly and would like to make the statement as soon as possible in order to stop the uncertainties.

The DTI's timetable would be very hard on the two Chancellors, with their speeches to make later in the day. It would also seem better for the Government to take this in a less hurried fashion.

/I recommend



SECRET

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I recommend that you hold a meeting of the smaller group at 0945 on Monday, as planned. You could then move to MISC 126, Cabinet, or both, on Tuesday, having taken the advice of the smaller group. Mr. Channon would make his statement on Tuesday afternoon, as planned. (Or of course, if really necessary, you could hold MISC 126 later on Monday.)

DRS

DAVID NORGROVE

21 March 1986

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