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PS/ Secretary of State for Industry

7 May 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

MSM

accepted

*delete it
some brackets
please*

Dear Tim

additional

As foreshadowed in his minute to the Prime Minister of 30 April, my Secretary of State has invited John Grenside of Peat, Marwick & Mitchell to advise the Government in strict confidence about whether there is any contingency action which should be taken against the possible withdrawal of the BL plan.

*12
7/5*

Mr Grenside has accepted the invitation. He proposes to involve one of his senior partners, Mr George Dunkerley, partly because he himself has to be abroad a certain amount in the coming weeks, and also because he thinks that "two heads are better than one". Mr Dunkerley is not associated with the liquidation side of Peat's business. Apart from Mr Grenside and Mr Dunkerley, no one at Peat's will be involved. Sir Michael Edwardes has no objection to Mr Dunkerley being associated with the task and my Secretary of State has therefore agreed.

Mr Grenside has asked to be given written terms of reference and I attach a note which my Secretary of State proposes to give him. He is to have a first discussion tomorrow, 8 May, with BL and the terms of reference will need to be handed over before close of play today. I should therefore be grateful if you and the other recipients would let me know by 4 pm whether they have any comments on the terms of reference.

Copies of this letter go to Martin Hall (Treasury), Robin Ibbs (CPRS) and John Hoskyns.

Yours are

Ian Ellison

I K C ELLISON
Private Secretary

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PROPOSED TERMS OF REFERENCE FOR GOVERNMENT ADVISER ON BL

To consider and advise the Government (as holder of more than 99% of the BL equity) whether further precautionary planning or action could usefully, or should, be undertaken at this stage, in order:-

- (i) to put the Government in a better position to respond rapidly if the BL Board should decide that a situation had been reached, when, in the context of the Chairman's letter of 19th December 1979 (copy attached), it would be necessary shortly to withdraw the 1980 Corporate Plan;
- (ii) that in this event, the resulting rundown of the company could be managed in such a way as to minimize the consequences for public expenditure and for the UK economy generally.

} It is essential that nothing should be done which would lessen the prospects of successful implementation of the Corporate Plan or give the impression within BL or elsewhere that the Government had abandoned hope of the Plan succeeding.

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