



*4/ Mr Douglas
Mr Wapson*

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PRIME MINISTER

BL MEETING: MEETING WITH SIR MICHAEL EDWARDES

At our meeting on BL on 17 April, it was agreed that when I met Sir Michael Edwardes I would discuss with him BL's ability to fulfil their planned objectives, in the light of his letters of 18 and 28 March. It was also agreed that I should discuss with him the possibility of the Government consulting a leading expert about whether there was anything more we should be doing now by way of contingency planning against a possible withdrawal of the BL Plan. I am now writing to report the outcome.

Sir Michael Edwardes stressed the substantial achievement with the BL workforce over the acceptance of the wages package, which I fully acknowledged. He told me that his letters had been mainly concerned to state BL's position as far as cash requirements for the current year were concerned. BL had still to re-assess longer term prospects and could make no categorical statements about longer term viability until the 1981 Corporate Plan was drawn up later this year. Whilst the cash situation would be very tight in 1980/81 BL's assessment remained that they could stay within the limits without prejudicing the essentials of the plan. Sir Michael added that the company were taking energetic steps to reduce costs, and in one case (the accelerated closure of the Triumph works at Canley) had brought forward expenditure into the current year which would save money in future years at a higher cost in the present one. He assured me that they would take similar action whenever opportunity offered. He also pointed out that as a matter of normal business practice the Corporate Plan was subject to modification in the light of changing



circumstances (though without prejudice to the main strategy).

He told me again that BL's assessment of their ability to achieve the objective of long term viability within funding provisions foreseen in the 1980 Corporate Plan depended heavily on the Government's success with its economic strategy particularly as regards inflation. The BL Board will be considering this further at their meeting on 14 May and Sir Michael will then let me know their interim view of the prospects. In the meantime arrangements have been made for BL to discuss with the Treasury the economic assumptions to be used in the review of the Corporate Plan. When I have received his letter we shall be able to consider whether any further initiative is called for on the lines we discussed on 17 April.

I explored with Sir Michael the question of bringing in a special Government adviser on a confidential basis; and in doing so I was guided by Robin Ibbs helpful minute of 17 April. I told him that we had it in mind to consult such an adviser on the precautions which the Government, as owners, ought to be taking now to minimise the damage, if the worst happened, so that we should have the best chance of being able to rescue as much as possible of BL and of the surrounding economic fabric. I stressed that the adviser would act in strict confidence and his appointment would be kept secret; the adviser would make contact with BL only through the Chairman himself. I mentioned the names of John Grenside, senior partner in Peat, Marwick, Mitchell & Co., Peter Godfrey, deputy senior partner in Ernst and Whinney, and Ian Hay Davison, managing partner in Arthur Andersen & Co., as possible candidates whom the Chancellor and I had considered. He reacted positively to my suggestion, and after consulting members of his Board informally, has now told me that they have no special



preference amongst these three. So I propose to approach John Grenside about the possibility of his taking this assignment.

I stressed to Sir Michael Edwardes the importance of continuing to press on with contingency planning against the possibility that the Plan might have to be withdrawn. I said that if the Plan were withdrawn I envisaged giving to the Board new terms of reference (which I of course said I had yet to discuss with other colleagues concerned) on the lines of:

"In the light of their decision to withdraw the 1980 Corporate Plan:

to direct BL's affairs in such a way as to minimise the consequential adverse effects on public funding (whether through BL or directly by Government Departments) and on other UK industrial activities;

to maintain close liaison with the Department of Industry (and the Treasury) over the formulation of plans for disposal of the BL business and of their implementation."

Sir Michael's immediate response was to welcome this approach.

I am copying this minute to the Chancellor of the Exchequer, the Secretary of State for Employment, Robin Ibbs, John Hoskyns and to

/Sir...

SECRET



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Sir Robert Armstrong.

KJ

Department of Industry
Ashdown House
123 Victoria Street

K J
30 April 1980

SECRET

30 APR 1980

