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20 January 1981

Policy Unit

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PRIME MINISTER

BL

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1. We have discussed this morning's meeting with Alan Walters. It became clearer than ever today that our best opportunity for starting the closure of BL is now. There are eight reasons for this:
 - (a) Last year we gave them a fair chance; now they say they need eight times as much public money, on assumptions that look optimistic already.
 - (b) The Board admit that further support would not be commercially justifiable. This can be published. They have offered to preside over closure. No resignations are needed.
 - (c) The Longbridge fiasco has shaken public confidence. We think most voters would say that BL workers deserved no further support.
 - (d) The prospect of Nissan will damage confidence in BL; it could/also offset the gloom (but it's only a prospect so far).
 - (e) BL's demise cannot worsen, and might improve, the prospects for Vauxhall's and Talbot's more marginal operations - as well as Ford's.
 - (f) If there are buyers for parts of BL, they will come forward now; resuscitation can begin.
 - (g) BL's cost to the taxpayer is bound to mount further, but closure in two years' time will be politically more difficult.
 - (h) Closure would demonstrate the price of failure and show the country that we really do mean business, and won't be deflected. We would demonstrate that Conservative policy is not to tax the small man and struggling private businesses to support the giant unions and big business.

2. We think that colleagues could be persuaded by these arguments given a firm lead from Keith, with your support. John Nott has circulated a powerful case; John Biffen's minute helps. Although

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the Opposition would howl, we could quote remorselessly their own repeated statements that there would be no further funds once the £1,000m recommended by Ryder was exhausted.

3. On the present course, closure could be initiated by the Board at any moment. Colleagues live with this risk each day, so they should not regard closure as unthinkable. We think Keith should be invited to put the case for closure that he made this morning, to E. At the very least, you might be able to extract from them a stated willingness to face up to closure in one year's time if the cost mounts further.
4. If E could be persuaded to face up to closure, we still think the best course might be to use this to negotiate from strength with Edwardes, asking him to have a really serious attempt at sale or merger, first, during the next six months. If he was unwilling, he could be asked to proceed with closure. But the attractions of achieving a sale are so great that it must be worth attempting before the axe falls.
5. Do you not think that Keith should put the case for closure to E? We would, of course, be ready to help with drafting if required.
6. I am copying this minute to Geoffrey Howe, Keith Joseph and Robin Ibbs.



JOHN HOSKYNS

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