

17 June 1981

Policy Unit

PRIME MINISTER

BL

1. Last year the cost of continued support for BL soared. No progress was made on selling the company. Despite this, in the end it was reluctantly decided to support BL once again - with the proviso that a mid-summer review might be necessary if it went off course.

Play A

2. Keith has now written to Geoffrey saying that BL is off course. Since Edwardes has taken some corrective action, Keith says that a full-scale review is not now necessary. However, the commercial vehicles side of the business still needs review as its plans were not available last January.

Play B

3. Geoffrey has replied by expressing unease and suggesting that instead of a full review, we should "re-examine BL's prospects between ourselves" when we look at the commercial vehicle plans.

4. Any reconsideration of BL's prospects would face us with the same difficult issues that we faced last time. But in the next few months, we could be in a stronger position to oblige Edwardes to make further disposals if he has not found a partner. In particular:

- (a) Nissan may have decided to come to the UK, making the future of car and component production here less dependent on BL.
- (b) Metro has already done better than expected. This weakens Edwardes' argument that BL could not make further disposals without precipitating its immediate collapse.

5. If you think there is a chance of making further progress on BL, we think a meeting between you, Geoffrey and Keith should take place before decisions are reached on the future of the commercial vehicle business.

Handwritten notes:
Meeting. We must take the opportunity now to dispose of B.L.

Handwritten note:
you wish to take a meeting; or leave it to the chairman?

JOHN HOSKYNS

Handwritten initials and date:
JL
15/6