



PRIME MINISTER

BL: GUARANTEES

Yes <sup>no</sup>

Prime Minister

①

cc Mr Walton  
Mr Dwyer  
Mr Venner

Issuing these guarantees would

not increase our exposure (we are already  
fully exposed by existing assurances).Agree to their issuance? (Treasury  
is in agreement with Mr Venner's proposal).

MCS 23/10

I attach a copy of a letter of 20 October which I have received from Sir Michael Edwardes in which he advises me that, if BL are faced with a widespread and damaging strike on 2 November, the company will need Government guarantees (totalling £830m) to be provided to their lenders on that date.

2 Sir Michael made a request for guarantees in similar circumstances last November and my predecessor consulted you and other colleagues about this in his minute of 6 November 1980. The Government's conclusion was that the issue of guarantees would be necessary to prevent a run on BL and to allow the Board to remain in charge for the rundown of the business; the alternative of allowing a compulsory creditors' liquidation would not only have precipitated a completely uncontrolled reaction by creditors of BL but could also have resulted in an even higher and earlier cost to the PSBR. Your agreement to the issuing of guarantees was conveyed in a letter from your Private Secretary of 7 November, though in the event they were not needed as the threatened strike did not materialise.

3 As you will see from the letter of 12 October to the union leaders referred to in Sir Michael's letter to me, the



circumstances which BL now face, although not of course identical to those applying last November, are in all material respects the same. His present letter gives us advance notice of a possible need for guarantees. He says that after the BL Board's meeting on 27 October he will write again formally requesting guarantees subject to final confirmation on 2 November. I shall then have to give him a formal reply. However, in order that his contingency planning can proceed smoothly, I should like, if you agree, to tell him as soon as possible that the Government concurs in what he proposes.

4 I am copying this minute to the Chancellor, the Secretary of State for Trade, the Secretary of State for Employment and to Sir Robert Armstrong and Mr Robin Ibbs.

PJ

P J  
22 October 1981

Department of Industry  
123 Victoria Street