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CONFIDENTIAL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

PS/ Secretary of State for Industry

cc Mr Walters
Mr James
Mr Moslyns

2 October 1979

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

Prime Minister

You asked about today's newspaper reports. This is reassuring.

TL 2/10

Dear Tim

You asked for a note on BL following today's press reports of the discussion between BL management and CSEU representatives on future plans.

You will recall that Sir Michael Edwardes' statement on 10 September copied to you involved at least 25,000 redundancies, shutting or partly closing 13 plants, and accelerating the introduction of the mid-car range. Following the statement, a so-called Emergency Committee, consisting of CSEU and employee representatives, was set up to consider the company's proposals. They were asked to report back to BL on 1 October to enable their reaction to be taken into account by the BL Board.

It was a meeting between the Emergency Committee and BL management which prompted the CSEU request for a meeting with my Secretary of State later this week. The full CSEU Executive will meet on 4 October and may well take the view that BL's proposals are quite unacceptable and that the solution is to provide vast additional sums of public money and to introduce import controls.

The company's management has insisted that it cannot put forward to the BL Board any plan which is not commercially viable and that it is only prepared to consider alternatives which meet this criterion. In order to reinforce this point, Sir Michael Edwardes and the NEB have asked my Secretary of State to receive a small delegation on 5 October from the CSEU to explain the Government's approach to the question of future funding. Sir Keith has agreed to this request.

At this meeting and in briefing the press afterwards, it will be made clear that the Government has received no proposals from BL and given no instructions to the NEB or the company on the framing of the Corporate Plan. He will explain that it is for BL management and not for the Government to form proposals and these must be strictly commercial. He will not be drawn into discussion of any individual parts of the company's 10 September statement and will make it clear that he is not committed to accept any proposal that BL may put forward.

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The present intention is that the BL Board will make final decisions on the 1980 Corporate Plan on 17 October and the NEB Board will determine its recommendations to the Secretary of State at its meeting on 26 October. The Secretary of State will then be submitting his own recommendations to colleagues at the end of November with the intention of making a statement to the House before the Christmas Recess. The Corporate Plan approved by the previous administration envisaged that £225m more public funding would be required - £150m is provided for in PES next year and £75m in the following year. Of course my Secretary of State's own position on these funding questions remains completely reserved.

Yours sincerely

Ian

IAN ELLISON
Private Secretary