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E(80)46th Meeting.

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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY
18 DECEMBER, 1980

Most Confidential Record.

ITEM 3

BRITISH LEYLAND'S
CORPORATE PLAN.

Previous Reference:
E(80)45th Meeting,
Item 4.

THE COMMITTEE heard reports of a meeting which, as requested by the Committee, the Secretaries of State for Industry, Employment and Trade, and the Chief Secretary, Treasury, had held earlier in the day with the Chairman of BL, Sir Michael Edwardes.

THE SECRETARY OF STATE FOR TRADE said that as soon as BL's Corporate Plan was published, or the details become known, informed opinion would accept that there was no case for the Government investing what could be another £1 billion in the company. He judged that the present Board would be willing to stay on to preside over liquidation and he considered that this was the right course to follow. In what would be effectively a receivership situation, he believed that purchasers would come forward to take over much of the plant, which would involve relatively little risk to them. Considerable costs would fall on the Government but this was better than investing in a company with no chance of success and was the best way of ensuring the prospects of those parts of BL which had a future. His view therefore was that the BL Board should be persuaded to stay on and to dispose of the company.

THE SECRETARY OF STATE FOR EMPLOYMENT said that he did not agree with this assessment which, he considered, gave too optimistic a view of the probability of other companies

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taking over BL's plant. His judgement was that Sir Michael Edwardes was attempting to hold a pistol to the Government's head. Unless his Plan was accepted he would claim that the decision to liquidate had been taken by the Government and not by the Board. The Secretary of State for Employment considered that the political, social and economic arguments pointed against liquidation. The right course was to accept the Plan but to press Sir Michael Edwardes hard for assurances that he would search urgently and vigorously for joint ventures and for disposals to other companies. It would not be acceptable for the Government, as had happened previously, to accept the Plan and then find that the BL Board failed to make any progress towards disposals and collaboration.

THE PRIME MINISTER, summing up a short discussion, said that the Committee would wish to reflect further on their discussions so far, and on the assessments of the meeting that morning with Sir Michael Edwardes, and to resume their discussions of the BL Corporate Plan in January. In the meantime the Secretary of State for Industry should consider whether independent advice might be sought on the Plan.

THE COMMITTEE -

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Agreed to resume their discussion of BL's Corporate Plan in January.

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