



PRIME MINISTER

Tym - we specifically request the reference to collaboration. (M)
(i) it would tie the Government's hands and
Prime Minister approve revised draft
(ii) the meaning of statement?
not even defined. Duty Clerk 22/1
Please look through for comments and check to minutes. Am

BL

At the E Committee this morning, we agreed to approve the BL Corporate Plan on the basis proposed in the draft statement attached to my minute of 21 January, subject to two important changes:

(a) the letter to be sent by Michael Edwardes on the circumstances which would cause a review of the Plan should make plain that any "substantial deviation" in performance, as well as any change in the prospects of achieving the Plan's objectives, would lead to such a review of the relevant business group's plan;

very worried about some parts of the statement - not.

(b) reference to collaboration should be removed from the statement because of the fear that partial collaboration in particular parts of BL might militate against disposal or a comprehensive collaboration likely to lead to disposal; and might therefore tie the Government's hands in its objective of disengaging itself as soon as possible from BL.

... 2 I attach at Annex A a revised draft of my statement incorporating the text of the letter which Michael Edwardes will send to me to implement these tougher conditions (the relevant insertions are underlined). On reflection I do not think the second change is realistic: we cannot freeze entirely BL's ability to make normal commercial decisions, nor can we foretell what will preclude what



and it is very much in our interest to give a clear and public indication of our wish that BL should seek a comprehensive partnership. What I propose, after discussion between officials in the Department and the CPRS, is that the reference to collaboration in the statement should stand, and that there should be a

... separate letter (Annex B) from Edwardes undertaking to consult the Government in good time about any disposal of equity, or any particular collaborative arrangement, which might preclude a more general disposal or comprehensive collaboration likely to lead to disposal. This letter would of course remain private.

!! Surely
he
needs
our
content-
ment.

3 I believe these proposals secure so far as is practicable the objectives we identified at E Committee this morning. In order to leave time for Michael Edwardes to send me the two letters, it would be helpful to have your confirmation and that of colleagues that you are content by tomorrow evening, 23 January.

4 I am sending copies of this minute and enclosures to members of E Committee, Francis Pym, George Younger, Sir Robert Armstrong and Robin Ibbs.

Department of Industry
Ashdown House
123 Victoria Street

Catherine Bell
pp K J
(Approved by the Secretary
of State and signed in his
absence)



STATEMENT ON BL'S CORPORATE PLAN

With permission, Mr Speaker, I will make a statement on the BL 1981 Corporate Plan.

The Plan submitted to the Government foresees a need for some £620m of additional Government equity in 1981/82, £370m in 1982/83, and £150m over the two following years, in order to assist the continuing programme of restructuring and investment in new projects, including the new LC10 medium car family. The Plan was submitted in four business sections. The policy of the BL Board has been (and will continue to be) to decentralise decision-making to the operating units. The intention of the Board as stated in the Plan is to draw these operating units into four distinct businesses to enable management to concentrate on well-defined product groupings and to facilitate collaboration with other vehicle manufacturers and the introduction of private equity capital. These businesses are BL Cars, Land Rover, Unipart and the Leyland Group. The formation of the Leyland Group, which embraces trucks, tractors and buses, was announced on 16 January; a revised plan to reflect the new organisation of this Group will be submitted shortly. As the structure evolves, so the progress of each business will be separately monitored.

I shall shortly, in accordance with usual practice, make available in the Library of the House and in the Vote Office, a Report on BL's recent performance and details of the Corporate Plan. In the light of the declared position of the NEB vis-a-vis BL, to

/which ...

What do you mean
by "collaboration"?
We really must delete
the phrase "collaboration"
because it is
decided against
by our hands in
this way



which I shall refer later, this Report has been prepared by BL.

The Government has approved the Plan because it supports BL's intention of creating strong and viable businesses and of involving private capital in them to an increasing extent, on a commercial basis, so that the company will in future lean less heavily on public finance.

A. The Government also endorses the Board's strategy - clearly stated in the Plan - of pursuing wide-ranging collaboration for each of the businesses.

For this purpose

The Board is exploring a variety of possible forms of collaboration, and has written to the Government in the following terms:

No - we should specify this

"The Board sees collaboration with other manufacturers as a central and integral part of its strategy for recovery and for removing or reducing dependence on Government support. This might take the form of complementary collaborations on major components or particular parts of the business; but the Board would also welcome, and actively seeks, a relationship of a more comprehensive kind - in whatever form would prove to be most commercially beneficial - which might well grow out of more limited collaboration."

In order to support these aspects of its strategy as well as to enable internally-generated recovery to be carried forward the Government has approved BL's request to fund the first two years



of the Plan (including the first phase of the LC10 programme) - that is £620 million in 1981/82 and £370 million in 1982/83 - subject to regular monitoring by the BL Board of progress in substantially achieving the Plan. Funding approval is also of course subject to any revision which might follow submission of the revised Plan for the Leyland Group.

Surely we monitor

The Chairman's letter to me of 22 January, which I am publishing in full today in the Official Report, makes it clear how the Board will respond to any appreciable reduction in the chances of achieving the Plan's major objectives, if at any stage this becomes apparent. He says that:

"In Section 1 of the Corporate Plan, the Board has stated that it will review the Plan and the funding arrangements, in consultation with the Government, if the Plan is clearly not being achieved and it appears impossible to bring about recovery within the timetable envisaged. The Board confirms that any substantial deviation in performance or any departure from the assumptions underlying the Plan (whether relating to internal or external factors) which, in the opinion of the Board, appreciably reduced the chances of successful achievement of the Plan's major objectives - for example, a major strike which damaged, or appeared certain to damage, any substantial sector of the business - would very quickly cause the Board to initiate such a review of the Plan of the relevant business group, with consequent implications for continued Government funding of the business."



The Board and management have indicated that they will not hesitate to take whatever difficult and fundamental decisions about the future of the company are necessary if circumstances, inside or outside BL, require it; and the Government will not stand in the way of such decisions.

*We cannot
commit
ourselves to this
unwise proposal.*

As I have already told the House, there will be an opportunity for a full debate in the context of the amendment to the NEB's financial limit in respect of BL in the Industry Bill which I shall table for consideration at Report Stage. Clearance from the European Commission will be needed for the Government's funding.

Finally, it is the Government's intention that the shareholding in BL should be transferred from the National Enterprise Board to the Secretary of State. This transfer will not, however, take place until the Industry Bill now before Parliament receives Royal Assent. Meanwhile the Government will discuss with BL matters arising from the change of ownership, in order to ensure continuity of BL's present financial arrangements.

The Government wishes the BL Board and the company's employees well in their ~~difficult~~ task.

*(Not difficult - concerned with those who
haven't got a job - subsidy of £1 billion)*



PRIVATE LETTER FROM EDWARDES ON COLLABORATION

We should
consult the
A-G about this.
See note below
The Board does
not own
the shares.
msh.

①

The Board undertakes to seek Government approval for the disposal of any significant equity holding in BL Ltd or any of its major subsidiaries.

If the Board at any time proposes to authorise collaborative arrangements for any of the four main business groups which might preclude either a comprehensive collaboration agreement with another manufacturer for that group, or any other arrangement involving disposal, merger or substantial equity participation, the Board would give the Government an opportunity to express its views before any firm commitment was made. The Board emphasises that a rapid response from the Government would be necessary to avoid jeopardising desirable collaboration opportunities.

This
do.

would

① Surely this undertaking is ^{superfluous} unnecessary.
The govt (and the NER) owns the shares.
The management of BL are not in a position to dispose of what ~~is~~ is not their property, i.e. the shares, nor can they issue further equity shares without Govt's consent.