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BRITISH LEYLAND: NOTE OF A MEETING HELD AT 10 DOWNING STREET AT
10.15 AM ON THURSDAY 17 APRIL 1980

Present:

Prime Minister
Chancellor of the Exchequer
Secretary of State for Industry
Secretary of State for Employment
Mr. R. Ibbs
Mr. J. Hoskyns
Mr. P. Le Cheminant)
Mr. D.J.L. Moore) Secretariat
Mr. D.R. Instone)

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The meeting had before it a minute dated 15 April from the Secretary of State for Industry to the Prime Minister describing recent developments at British Leyland (BL).

The Secretary of State for Industry said that as a result of the industrial action supported by the Transport and General Workers Union (TGWU) the BL management had informed its workforce that unless those on strike returned to work by Wednesday, 23 April, they would be dismissed. This course had been approved by the BL Board at its meeting the previous day. If the workforce failed to respond, BL could face an immediate crisis, although it was equally possible that a confused situation would develop with a patchy response to the management's line. He had not had a full report of the Board's meeting the previous day; but his understanding was that they held to the view that it was not yet necessary to withdraw their 1980 Corporate Plan.

In discussion the following main points were made:-

a. It was important for the Government not to be drawn into public controversy at this stage about the dispute. Ministers should take the line that it was a matter for management to settle; and in particular, they should not comment on inter-union rivalry. But there would be no objection to responding to questions by indicating the Government's concern over the present situation. The

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Secretary of State for Industry would circulate a speaking note.

b. It would be helpful if the Secretary of State for Employment would inform Ministers for background purposes of the legal position on the dismissal of strikers, the consequences which flowed from dismissal and any problems which would arise should individual strikers wish to return to work while the strike was still in progress.

c. The Secretary of State for Industry had already reported, in his minute of 3 April to the Prime Minister, Ford's apparent lack of interest in taking over BL. But Ford's formal statement to the Government might be designed as a tactical measure, and it should not necessarily be taken at its face value. They had already indicated their interest in acquiring certain parts of BL; and at some stage it might be possible to use their interest in those parts as a negotiating weapon in persuading them to take over other parts in which they had not indicated any interest so far. For the moment, however, it did not look as though further direct contact with Ford's would be useful.

d. The possibility of appointing an adviser on the lines suggested in the Secretary of State's minute of 15 April should be further pursued. It was essential, however, that the proposal should be fully discussed with Sir Michael Edwardes before any decisions were taken and that he should be involved in further work on this front. Such an adviser should be in a position to give advice to the Government as owners on whether any additional precautionary action should be taken, and should not be limited in his terms of reference specifically to the question of disposals. At the same time he needed to be someone experienced in company rescues and sales. Sir Kenneth Cork and Sir Henry Benson were probably unsuitable, the former because of his close identification with receivership and liquidation, the latter on grounds of age. Two other possibilities were Mr. E.R. Nicholson

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and Mr. Ian Davison. The appointment of an adviser need not be made public at this stage but could be helpful in showing after the event that the Government had taken all possible reasonable precautionary action.

e. It was argued that the Secretary of State for Industry's letter of 15 April to Sir Michael Edwardes did not convey clearly enough the fact that the Government wanted a more forthcoming explanation of the reservations which Sir Michael Edwardes had earlier expressed in his letters of 18 and 28 March about BL's ability to fulfil the objectives of the 1980 Corporate Plan. It might therefore be necessary for a further letter to be sent once the planned discussions had taken place between BL and officials over the economic assumptions underlying BL's plan. These discussions should, therefore, be completed urgently. The Secretary of State for Industry would clear the draft of any further letter with colleagues before despatch. It might also be desirable to clear the text in advance with Sir Michael Edwardes.

The Prime Minister, summing up the discussion, said the Secretary of State for Industry should use the opportunity of his planned meeting with Sir Michael Edwardes on 22 April to question the latter about BL's ability to fulfil their planned objectives, in the light of his comments in his letters of 18 and 28 March. The Secretary of State for Industry should also raise with Sir Michael Edwardes the possibility of the appointment of an adviser on the lines set out in his minute of 15 April. The Secretary of State, in consultation with the Chancellor of the Exchequer, should give further urgent thought to possible candidates. She herself would consider meeting Sir Michael Edwardes together with the Secretary of State for Industry after 23 April in the light of the industrial relations situation as it would by then have developed and of Sir Michael's reply to the Secretary of State's letter of 15 April. In preparation for that meeting the Secretary of State should send her financial information on BL for the last 5 years and also their current forecasts.

The meeting -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.
2. Invited the Secretary of State for Industry to consider further with the Chancellor of the Exchequer possible advisers; to raise with Sir Michael Edwardes both the question of an adviser and BL's ability to deliver the objectives of the plan in the lines indicated in the Prime Minister's summing up; and to report the outcome.
3. Invited the Secretary of State for Industry to provide the Prime Minister by 18 April with background information about BL's financial performance over the last 5 years and current financial targets.
4. Invited the Secretary of State for Industry to provide members of the Cabinet, including the Paymaster-General, urgently with speaking material in response to questions about British Leyland.
5. Invited the Secretary of State for Employment to provide urgently a note on the legal position governing BL's ability to dismiss and subsequently reinstate members of their workforce.

17 April 1980