



DEPARTMENT OF INDUSTRY
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PS/ Secretary of State for Industry

12 September 1979

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

cc Mr Wilson
Mr Hoskyns

Prime Minister

You asked for this
material. The bus
plant story is
appalling - a
good query.

Dear Tim,

[Handwritten signature]

BL CLOSURES

When we spoke yesterday you asked for a factual note on BL's
proposal to close the Bus plant at Park Royal. This is attached.
I am also enclosing a copy of the full statement made by Sir
Michael Edwardes on Monday.

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12/9

[Handwritten signature]

[Handwritten signature]

ANDREW DUGUID
Private Secretary



It's important
you read this

10 September 1979

Statement to all BL employees from the Chairman, Michael Edwardes

Today management is putting forward proposals to streamline BL to employee representatives and national union officials.

This document sets out the reasons why we are taking this step. The company has been looking at all of its operations in the light of the general trading outlook which has worsened in the past six months.

The Road Hauliers strike in January and the Longbridge dispute in February were very damaging in lost production, sales and profit, but consistent production has been achieved generally since then. In Commercial Vehicles 92% of the production target was achieved against 74% for 1978 as a whole.

Because disputes and production interruptions have been sharply down since February, management has been able to give more time to running the business. We have made some progress from an organisational point of view. Decentralising the Car operations has re-established identity and therefore pride at the various manufacturing sites. Nevertheless, much remains to be done to improve efficiency.

We are helped at this point in time by a strong balance sheet. There have been suggestions in the Press that we have a current cash crisis. **This is quite wrong—we have no immediate cash problem.** Indeed, we have several hundred million pounds of unused private sector borrowing facility. Our main problem is to do with future financing—to fund the next stage of streamlining the Company and accelerating the model programme in 1980, 1981 and 1982.

Although major restructuring lies ahead it should not be overlooked that with considerable co-operation from employees, we have already reduced our manning levels by nearly 18,000 since January of last year, having closed the loss making Speke (No. 2) and Southall factories. Output per man, although still unsatisfactory, has shown an upturn in recent months for the first time in many years. Since the half year, however, we have been plagued by the overtime ban and the one day and now two day engineering strikes common to the whole engineering industry in Britain; this will delay the new model programme and will frustrate our efforts to improve output per man in the second half. This disruptive action is costing the company tens of millions of pounds in profit, cash flow, and therefore investment, and will prejudice future employment. If the strike continues for much longer it will have a major bearing on the Board's investment policy.

Economic Situation

Quite apart from the immediate effect of these one and two day stoppages, the overall outlook has deteriorated in a number of important aspects. This will necessitate streamlining the business and accelerating model programmes. We are therefore providing all those with a stake in BL with an unusually detailed half year statement. The main problems we face are as follows:

- 1.0 We are helped by having some uniquely economical models, including the Mini and the Allegro. The high demand for these augurs well for the Mini Metro to be launched next year and for economy-oriented trucks shortly being launched. Nevertheless, the energy crisis and the down turn in world trade means that overall demand for vehicles will be lower than earlier forecasts.

2.0 Our market share in the UK has been under great pressure from importers who have been helped by the sudden strengthening of the pound.

Leyland Vehicles face formidable competition in advance of the introduction of new models soon to be launched. Their market share in the UK has dropped to 18%.

The position in Cars is equally unsatisfactory. We have known (and well publicised) weaknesses in certain segments of our model line-up, but even allowing for this we have been disappointed that our UK market share has dropped to 20% in advance of the model introductions which start in 1980.

3.0 As against our level of market share, we have facilities and fixed expenses designed to cope with higher volumes. Our efforts to solve the volume problem by increasing exports are being frustrated by the recent sudden exchange rate changes which make our goods less competitive overseas. No less than 45% of our output is being exported or sold overseas — for 1978 we were the largest exporter of manufactured goods in Britain. As only 5% of our materials are imported, the sudden rise in the value of the pound hits us particularly hard. The cost in profit terms for 1979 and 1980 is estimated at £80m a year.

4.0 *It would be tempting to apportion all the blame on the strength of the pound. This would be wrong. We have fundamental problems that are well known and recognised and are being dealt with methodically and steadily. What the sudden shift in currency rates does (and no one could have anticipated that sterling would strengthen so rapidly) is to add a new dimension. This taken together with high UK inflation rates, high interest rates, and the energy crisis sharpens the issue and points to the need for quicker and more positive action to get back on target. If we do not respond quickly we will be blown off the recovery course.*

We cannot afford to spread cash and other resources too thinly over too many plants and models.

In short we must streamline facilities and model programmes and slim down the Company, while bringing forward the model programme in the mid-car sector.

Streamlining of BL

The proposals to meet the new situation, which are being tabled with employee representatives today, embrace three general propositions:

1.0 Over the next two years the Company will need to be streamlined in terms of plants and slimmed down in terms of people.

2.0 Our new model programme would be accelerated, while modernising specified plants on which we will now concentrate resources on backing winners.

3.0 Funds would be needed over and above the original Plan to cope with the costs of streamlining the business. These funds would come from various sources.

First, the streamlining programme. We just do not have the resources to back losers. Some plants have already been modernised; in others like Leyland in Lancashire, Land-Rover at Solihull and Austin at Longbridge, modernisation is already in progress. Where plant loading or performance does not justify modernisation, the plants will generally be phased out.

On Cars, the proposition is that we should concentrate car assembly on Austin at Longbridge, Morris at Cowley, Sherpa at Common Lane, Rover Triumph and Land-Rover at Solihull, and Jaguar at Browns Lane. Pressed Steel Fisher would concentrate investment on Swindon and Cowley Body.

The effect would be to cease car assembly at Canley in Coventry and Abingdon. Abingdon would be converted to become an extension of Cowley to enable the Cowley modernisation programme and therefore model introductions to be accelerated. We would retain the MG marque. We are reviewing the scope of our activities in a number of other locations including Seneffe in Belgium.

Some body building would cease at Speke but the Press Shop would be retained. Because of the excellent co-operation of the workforce and improved productivity over the last 12 months since our other plant at Speke was closed last year, we will seek to maintain employment levels by transferring other work to that plant. Major parts of Castle Bromwich would be closed, together with Tile Hill and a substantial part of West Yorkshire Foundries. No. 2 foundry at Tipton would be closed and the Coseley Engineering operation which has consistently failed to achieve adequate productivity would be reviewed.

The aluminium foundry project in Yorkshire would be cancelled. The future of others of our 36 car plants will be considered.

On the Commercial Vehicle side, the AEC plant at Southall has now closed, and Charles H. Roe at Leeds has been transferred to Bus Manufacturers Holdings (BMH), in which we have a 50% interest. Today Leyland Vehicles has announced the intention of closing Park Royal Vehicles, not as part of the current exercise, but simply because of the appalling lack of productivity. The plant has a three year order book for the new Titan double deck bus, but is running at a loss because of lack of co-operation by the workforce in respect of both productivity and recruitment.

South Works at Leyland is to be closed in 1981. Other Leyland Vehicles manufacturing operations will be reviewed with the general intention of focusing investment on Leyland, Bathgate and Glasgow and the BMH sites.

We are currently discussing the disposal of Aveling Barford and Prestcold, which are not part of our mainstream business. The Hillington (Scotland) plant of Prestcold closed last week and the Aveling Marshall plant at Gainsborough will close at the end of October.

The effect of our proposals will be to reduce manning levels in the UK by not less than 25,000 with emphasis on reducing fixed expenses and therefore staff, over a period of two years.

The model programme

Development of Range Rover and Land-Rover (and the expansion of output) would go ahead as planned. Jaguar having launched the Series III will now concentrate on an engine programme to achieve greater economy.

The TR7 and TR8 sports cars would be built on the unused third line at Solihull.

In Austin Morris, the mid-car programme would be accelerated—the plan to introduce one new model in 1983 does not meet the case. Major product actions are now planned for 1980, 1981, 1982 and 1984 which provide five new models from 1980 through 1984. We are extending the Honda collaborative deal and its scope. The new Honda car will now be built at Cowley.

The model programme on Commercial Vehicles is well advanced, and competitive new models—both lighter and more economical to operate—are being launched at frequent intervals starting shortly.

In both Cars and Commercial Vehicles, we are continuing to explore opportunities for collaboration.

Funds

The impact of a stronger pound, its effect on cash flow, the acceleration of the model programme and the cost of streamlining the business, will all add to our cash needs in the period 1980-82. Following discussion with employees, the BL Board would consider funding proposals to be put to the NEB and the Government. Apart from the need for equity funds, other sources would be explored including the raising of funds from the disposal of assets and businesses.

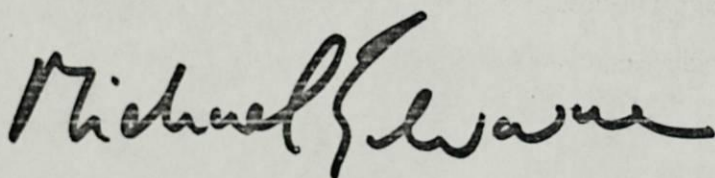
Outlook

In the past few months the outlook has changed significantly. Given that the programme to streamline the business between now and 1982 is done with determination and co-operation, we will have taken the fundamental action needed to survive and prosper. It is accepted that this Plan is far reaching and ambitious. In our view nothing less will meet the case, even though it comes on top of plant closures and de-manning already undertaken in the past 18 months. It envisages re-building the business to 950,000 cars and commercial vehicles per annum during the 1980s on the back of competitive products. To put this in perspective, we would have a capacity of 100,000 vehicles per annum more than the combined production of all our UK car and commercial vehicle competitors last year.

Certainly, our dealer network at home and abroad look forward both to the spate of new commercial vehicles being launched shortly, and to the car models which start with Mini Metro next Autumn. If we disappoint them then there won't be a business at all.

The action outlined is the course management believes must be taken to protect the majority of BL employees and the business.

The BL Board will take a final decision on the plan for 1980 onwards in October and will then have before it the views of employees. Time is short and urgent decisions have to be made about the future.



Michael Edwardes
Chairman and Chief Executive
10 September 1979

BL Bulletin



Sir Michael Edwardes outlines plans for streamlining the business and accelerating model programmes

10 September 1979

Performance

Profit before interest and tax increased to £47.7m for the half year. Profit before tax increased from £17m to £20.1m. This level of profit is clearly inadequate to generate enough surplus to fund the investment programmes which are so vitally necessary.

The main contribution was made by Car operations at £19m before tax, compared with £14m for last half year, with Commercial Vehicles recording an improvement at £5m against a break-even in the same period of last year.

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The Board of BL Limited has announced unaudited results for the six months ended on 30th June 1979.

	Six months to 30th June 1979	Six months to 1st July 1978
	£ million	£ million
SALES		
— UK	1,021	836
— Overseas	639	727
	<u>1,660</u>	<u>1,563</u>
of which direct exports from UK	435	484
PROFIT BEFORE INTEREST AND TAXATION	47.7	47.4
Interest payable less receivables	(27.6)	(30.4)
PROFIT BEFORE TAXATION	20.1	17.0
Taxation charge	(3.8)	(7.2)
PROFIT AFTER TAXATION	16.3	9.8
Minority Interests	(2.2)	(1.8)
PROFIT BEFORE EXTRAORDINARY ITEMS	14.1	8.0
Extraordinary items	(4.9)	(0.1)
PROFIT AFTER EXTRAORDINARY ITEMS	9.2	7.9
VEHICLE UNITS SALES	414,000	420,000

The trading profit of £47.7 million is after charging £43.7 million for depreciation and amortisation, compared with the charge of £36.3 million for the six months to 1st July 1978.

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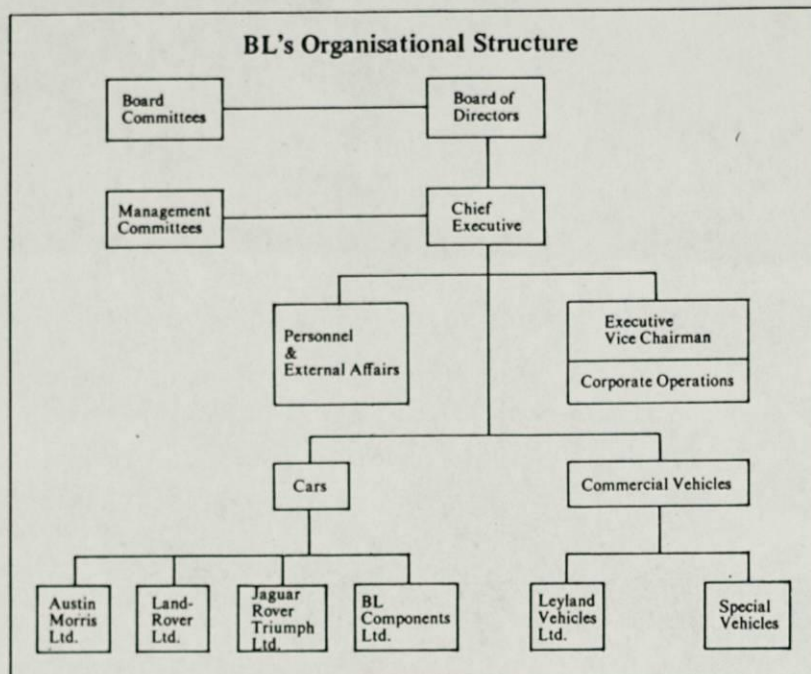
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Outlook

Since my report to shareholders in April the outlook has changed significantly. Given that the programme to streamline the business between now and 1982 is done with determination and co-operation, we will have taken the fundamental action needed to survive and prosper. It is accepted that this Plan is far reaching and ambitious. In our view nothing less will meet the case, even though it comes on top of plant closures and de-manning already undertaken in the past 18 months. It envisages re-building the business to 950,000 cars and commercial vehicles per annum during the 1980s on the back of competitive products. To put this in perspective, we would have a capacity of 100,000 vehicles per annum more than the combined production of all our UK car and commercial vehicle competitors last year.

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BL Bulletin



Major Corporate Appointments

To strengthen the corporate management team of BL and to assist further the development of the decentralised car operations, a new position of managing director, cars, has been created. **Mr Ray Horrocks**, formerly chairman and managing director of Austin Morris Limited, has been appointed to the position.

Ray Horrocks will be based at corporate headquarters in London and will report to Sir Michael Edwardes. He will be responsible for the car companies—Jaguar Rover Triumph, BL Components and Austin Morris. Land-Rover, until now part of Jaguar Rover Triumph, will also report separately to Ray Horrocks. The major £280 million expansion planned for the Land-Rover business and its very special marketing needs make it important to give it separate management attention.

Mr Pratt Thompson, formerly chairman and managing director of Jaguar Rover Triumph, is to take on new responsibilities as chairman of BL International. BL International has responsibility for managing BL's international operations and for collaboration. Pratt Thompson has extensive worldwide commercial experience and in particular has knowledge of the Japanese and US markets. He will continue to chair the board of Jaguar Rover Triumph Inc. in the USA—BL's largest overseas operation.

Mr Percy Plant, currently a director of JRT, becomes chairman. Apart from being responsible for the day to day

operations of JRT, Mr Plant will be reviewing the structure of the business in the light of the greatly changed trading outlook.

Mr Horrocks will continue as chairman of Austin Morris and is succeeded as managing director by **Mr Harold Musgrove**, currently AM's manufacturing director.

Mr Tony Ball, who runs the trading operations of BL International, joins AM as deputy managing director, commercial. He will have special responsibility for all AM's sales and marketing activities worldwide.

Certain BL Cars executives, including **Mr John Hirsch**, director of product and marketing strategy, and **Mr Geoff Armstrong**, employee relations and services director, will report direct to Ray Horrocks who will also chair the board of BL Cars Ltd.

Mr Peter McGrath, chairman and managing director of BL Components, continues in that role.

Announcing the new appointments, Sir Michael Edwardes, chairman, said 'Very considerable progress has been made by BL in the last eighteen months. Land-Rover in particular has won its spurs and that has been recognised in this further stage of the development of decentralisation.

'The sharp rise in the value of the pound, however, is creating new problems for exports which makes us even more determined that the attention of the new companies should be firmly centred on the tasks of introducing new

products and improving productivity. The appointment of Ray Horrocks to the new corporate position of managing director, cars, and Pratt Thompson as chairman of BL International, will enable us to strengthen the top management team of BL at Corporate level while the companies concentrate on the job of managing their operations.'

BL forms a new Technology Company

BL has formed a new, wholly-owned subsidiary called BL Technology Limited, to develop and introduce technical advances both in new products and manufacturing operations.

BL Technology Limited will be responsible for the efficient management of advanced engineering resources and will be recruiting specialist engineers to maintain BL's position as a leader in applying new technology within the motor industry.

The Board of Directors is drawn from distinguished and experienced engineers and scientists from within British industry, research and academic institutions, and BL itself.

The Chairman is David Andrews, BL's executive vice-chairman. The management team is headed by two of the best known automotive engineers in the UK and European motor industries, Spen King who is deputy chairman and Harry Sheron, the managing director, who joins BL from the former Chrysler, Europe Organisation.

... and a systems company too

A new computer systems company has also been created which will provide a comprehensive systems service within BL, and will sell services outside the company.

The Managing Director is John Leighfield, who was formerly Director, Systems, for BL Cars.

BL Systems Ltd. will initially have its headquarters at the Cars Data Centre, Redditch, Worcestershire—which houses one of Europe's most advanced and powerful computer centres. Its five inter-linked computers are connected through a microwave communications network to a large number of terminals, mini-computers and micro-computers in BL factories and offices across the UK.

By organising the systems function as a separate unit, BL will be better able to use and direct scarce technical skills in an area of rapidly changing and expanding technology.

BL Bulletin



Mini 850 City

Four of the best from Austin Morris

Austin Morris have launched four new versions of their popular models which give fuel economy and excellent value for money.

The Mini City is a budget version of the Mini 850 which has a higher trim level than the previous model, but costs £123 less.

Leyland wins World's Biggest Bus order

Leyland Vehicles has won a £43 million order from Britain's National Bus Company to supply over 1,300 buses and coaches for 1980—the biggest single annual order placed by any bus operator in the world.

The order—negotiated by LVL's Passenger Vehicle Division—is shared between plants at Leyland, Bristol, Workington, Lowestoft and Leeds. Specialist luxury coachbuilders in Britain will also benefit from the contract. The 1,307 buses and coaches will eventually go into operation in villages, towns and cities throughout England and Wales.

... and a large postal order

Leyland Vehicles has also won a major order for the familiar red postal vans which deliver millions of letters and parcels every day in Britain. Leyland will supply more than 800 postal delivery vans this year and during 1980 worth more than £5 million. They will join an estimated 11,200 Leyland vans in service with the postal business.

U.S. Race and Rally Triumphs

Triumph TR7 and racing TR8 models are making a big impact on North American sports car enthusiasts.

The re-introduced TR7 and the stylish convertible version have won praise from U.S. motor magazines since they appeared on the market earlier this year.

The convertible is the first volume produced soft top to be launched in the U.S. for more than 10 years.

TR8 models—which use the Rover V8 engine—have notched up impressive rally and race-track victories. On its first outing the Group 44 TR8 set a

new lap record at Watkins Glen and won Category 1, in the 6-hour race.

Rally driver John Buffum is continuing last year's successes with his TR7 and TR8. He has won four major rallies so far—two with each car.

A 'World' First Boosts Productivity
Engineers at an Oxford Exhausts, part of SU/Butec, have developed the world's first automatic machine for making car exhaust silencers, boosting productivity by 300%.

The invention gives BL a technological lead in one of the most competitive markets in the industry and opens up new sales opportunities.



Leyland B21 bus

Fourteen Leyland B21 Buses in Australia

Leyland Australia are to supply 14 Leyland B21 buses to the Northern Territory's Transport and Works Department, fitted with bodies built by Pressed Metal Corporation of Sydney, a Leyland subsidiary company. This order follows on from a contract for ten B21 buses from the Metropolitan Transport Trust in Perth.

The B21 is an advanced passenger chassis offered by Leyland in markets throughout the world, and it can be tailor-made to particular operating requirements.

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SU/Butec launch Automatic Starting Unit

A new type of automatic choke which takes the hazard out of cold starts and saves fuel in town driving has been invented by SU/Butec, a division of BL Components Ltd.

In fact, it is not a choke in the conventional sense, but a device which automatically supplies the additional fuel required during cold starting. It is being tested by SU on a number of European models, in addition to extensive trials on Austin Morris and Jaguar Rover Triumph vehicles.

The Automatic Starting Unit eliminates the need, prior to starting, to pump the accelerator to force extra fuel into the carburettor and—more importantly—it eliminates the hazardous possibility of stalling after a cold-weather start.



Rover V8S

Now a new Rover leads the range

The Rover saloon range has been extended from three to four models with the introduction of a new model, the Rover V8S.

Refinements such as air-conditioning, sunroof and headlamp wash-wipe are standard on the V8S and place the new car firmly at the top of a range which also includes the Rover 3500, 2300 and 2600.

Gold painted alloy wheels, black bumpers and double coach-lines immediately identify the V8S and a metallic paint finish is being applied to all launch stock models. Further distinction is provided by a zone tinted windscreen, and chromium plated door handles and exhaust tail pipe. A small air intake under the bonnet line allows extra cooling with air-conditioning.

Rover V8S badging includes stylised 'Euroscript' lettering at the rear and 'V8' motifs on the front wings. The traditional Rover viking ship symbol, last used on the former Rover 3500 four years ago, reappears as a bonnet badge on the V8S.

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