

PRIME MINISTER

BRITISH LEYLAND

This minute comments on Keith's note of 15 April; briefly reviews the present situation; suggests the main purpose of tomorrow's meeting.

1. BL's PROSPECTS

1.1 Keith's minute presents a picture which seems to me quite unreal:

- (a) He apparently still feels that there is a good chance of BL pulling through.
- (b) He repeats the Catch-22 thesis - that the moment you make overt moves to sell BL, the whole thing collapses. This amounts to saying that selling a large company is, by definition, impossible.
- (c) He presents withdrawal of the Plan as a simple black and white situation. If the Board withdraws it they will stay; if we insist on its withdrawal they will resign. There seems to be no recognition that it is already a finely-balanced and marginal judgment as to whether the Plan should be withdrawn or not. He makes no allowance for our persuading the Board to support us and to withdraw the Plan. He seems to think that the whole thing can be handled at arm's length. We have to get round a table with the BL Board if we are to get anywhere. I don't think it is impossible for Edwardes to do his best to make the Plan work and consider the best way of proceeding if it fails. He is quite capable of riding both horses.
- (d) He also seems to think that no buyer will be interested until the company is falling apart and the assets can be bought cheaply. But there is a risk to a potential buyer in taking that route - for example, a competitive buyer may move in first, and so on.
- (e) Finally, he insists that the Board would not allow BL to drift away from the Plan. But they are already doing so.

1.2 Our view is unchanged. BL cannot recover in any real sense of the word. The question is whether it fails after the trade unions have co-operated manfully to try and make it succeed (a not very satisfactory outcome as we warned last September); or we manage to sell it whole with a reasonable industrial relations situation; or - as seems increasingly likely - there is a less orderly break-up provoked by trade union behaviour.

2. THE PRESENT SITUATION MAY BE AN OPPORTUNITY

- 2.1 If the present TGWU action precipitates the end, then the odium for BL's downfall will be firmly on that union - no bad thing. Meanwhile, the risk of this happening is at least forcing DoI to face up to the reality which it has been so reluctant to face so far, which is something.
- 2.2 It may therefore be that we will soon be forced to make an overt decision to look for buyers and orderly run-down of any unsaleable pieces.
- 2.3 We can't make further progress unless we answer a number of questions. For example, will the pay deal ever stick in practice, even if the present T&G resistance fades? Will the Board help us in disposal/run-down or will it resign en bloc? Will the dealerships hold up? Is secrecy vital for a sale in this industry? Would that secrecy ever be possible? What are the latest views on the Mini Metro and collaborative deals?
- 2.4 We can't answer any of these questions or make any further progress until we can talk with Edwardes and perhaps some of his Board members. We should have done this before. Keith has had plenty of contact with Edwardes but seems to have accepted Edwardes' own objectives and strategy as if they were identical to ours. I have talked to Robin Ibbs and he too is convinced that this should be the next step (presumably after the Horrocks ultimatum has expired). This meeting is much more important than talking to independent outsiders. Edwardes is the best-equipped adviser at this stage. We may need financial experts later.

3. THE PURPOSE OF TOMORROW'S MEETING

- 3.1 Are we clear that if Moss Evans and his people do not back down totally, we expect the BL Board to withdraw the Plan? Could there be any justification for their not doing so if the TGWU don't retreat? (I don't think there can be.)
- 3.2 We must explode the Catch-22 myth that, if we asked the Board (who are, after all, simply our hired general managers, because the Government are the owners) to sell/run down BL, the result would be instant Board resignation and overnight collapse.
- 3.3 We should agree to set up a meeting with Edwardes, and other BL Board members, as soon as possible. That is the only way to make any progress with our own thinking and planning. The agenda, venue, secrecy, or otherwise, of that meeting would depend on our reassessment of the situation following the outcome of the Evans-Edwardes talks tomorrow and the Horrocks ultimatum. It can't happen during the present strike.
- 3.4 Although we feel that the present TGWU action may prove to be an opportunity rather than a problem (given our view that BL cannot in the end recover) I don't think it should be talked of in those terms at the meeting. That could easily give the impression (which might also be leaked) of a desire by the Government for BL to fail, for a "showdown with the unions" etc.



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