

17 April 1980

PRIME MINISTER

BRITISH LEYLAND

Ind. P.O.

Some comments on this morning's discussion;

1. The need for an outside adviser. I remain doubtful about this. If he is a financial man (accountants or merchant bankers) he must be kept completely under wraps, since his involvement can only mean one thing. But he can't do anything unless he can get around BL and collect information. At most, he could be consulted; but appointment to the Board or appointment as an adviser would have different connotations. If instead we think of someone with broader commercial experience, then we are simply giving a vote of no confidence in Edwardes. The one person we have never taken advice from, as owners of the business, is the man we have hired to run it - Edwardes himself.
2. I am sure you are right to go for a meeting with Edwardes as soon as the present crisis is over. That meeting should be very small indeed so that Edwardes is not faced with too many people, or officials he has not met before. I would suggest you and Keith and perhaps Robin Ibbs. It is not strictly necessary for Geoffrey or Jim to be there.*
3. I am surprised at the letter Keith eventually sent to Edwardes. I attach what we originally proposed to Keith before Easter. Keith does not seem to realise that the whole purpose of the letter, for the record, is to show a little scepticism about Edwardes' comments. If that upsets Edwardes, that is too bad.



* I suggest no officials.
He must feel he can
talk very frankly.

JOHN HOSKYNs

3 April 1980

DRAFT LETTER FOR SECRETARY OF STATE FOR INDUSTRY TO SEND TO

SIR MICHAEL EDWARDES

Thank you for your letters of 18 March and 28 March. I have also seen the 1980 forecast prepared on 21 March and supplied to my officials.

The forecast loss for 1980 is very disturbing. I take it from what you say about the lack of evidence to the contrary, that the Board ^{is} still ~~confident~~ ^{confident} there will be no increase in the cash requirements from Government during the 1980/81 financial year? Is this right?

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Your letter of 18 March said that the Board did not expect changes in capital expenditure to jeopardise the agreed longer-term objectives of the business. I note that your review of capital expenditure was not then complete, but am not sure whether you are now able to confirm that the longer-term objectives remain intact. Is this in fact the case?

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As regards 1981 onwards, of course I realise the sensitivity of any longer-term projections ^{against a range of} economic assumptions. Officials of my Department and the Treasury will be very willing to discuss these with your staff and provide any help that they can. I hope this can be arranged soon, as I am anxious to receive confirmation that your Board still holds to the judgment that, despite the deterioration in performance and the economic outlook, the Plan remains achievable. Achievement of the Plan is, after all, the objective. Remaining within the agreed funding limits is only a precondition for survival.