

TO: KJ

FROM : AS

DATE : 9th November 1977

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RE: British Leyland

I iterate that the present Conservative attitude towards British Leyland is tantamount to unconditional surrender, after a few half-hearted gestures and dismayed retreat before the backwash. With respect, you have not thought it through.

Our few conversations on the subject suggest that, with respect, you are resistant to my promptings to think the matter through. I can only beseech you (in paraphrase) to recall our conversations over the past ten years, and reflect whether you might not be mistaken or reluctant to look behind.

My position is:

- \* BLM is a political creation.
- \* BLM was unworkable ab initio.
- \* So long as BLM is one unit, any attempt to slim it down will be bound to evoke resistance from all of BLM, workers, management, suppliers, MP's, local authorities, press, public, opposition, clergy, etc. Remember UCS, RR, you-name-it. Not even a relatively strong government would easily face such a coalition. The next Conservative government, judging by the dramatis personae and their previous records, will not be strong.

The necessary strategy follows logically:

- \* A political creation can only be politically dismembered. It is basically anti-economic, since it entails cross-subsidies and therefore diminishes the causal chain between workers' behaviour and their pay and jobs. This job cannot properly or realistically be left to management, since it is a political decision.

British Leyland (Continued)

A conservative government which seriously wishes to introduce change should be giving its managerial appointees a lead, not hiding behind their skirts.

- \* Only if it is dismembered, can economic pressure be brought to bear on the less efficient firms in it to slim down or close down. Otherwise, resources will be pumped into them, leaving the efficient firms short of finance, in order to maximise backlash.
  
- \* It follows that the new management's brief must be to turn BLM into a holding company within which the separate firms, e.g. Rover, Land-rover, mini, etc., and the components groups, would be individual profit-and-loss (profit for less) units. Only then could subsidies be safely phased out, leaving the I'm alright Jack syndrome to inhibit support by the plump kine for the lean ones.
  
- \* Not to do this, is to give advance notice to all concerned that you are not to be taken seriously.