

PRIME MINISTER

British Leyland

Yesterday you told Sir Keith Joseph that you were opposed to any statement confirming the 1977 assurance, but told him that you would go along with something on future funding so as to stop people from getting too euphoric if there is a "yes" vote. But you said that the latter piece should be redrafted.

Sir Keith has now come back proposing a draft answer on both aspects. He repeats that, if there is an ambiguous result, there is a real risk of a creditors run.

John Hoskyns and David Wolfson both think that a statement on the 1977 assurance point is unnecessary - particularly since Michael Edwardes is confident that there will be a "yes" majority. Their view is that, if the vote turns out to be "no", a statement could be put out after the ballot is announced. However, this - in Sir Keith's view - would look like panicking. (We, on the other hand, have argued to put out anything now looks like panicking.)

The result will be known tomorrow morning. If the answer were "no", the question could be put down tomorrow and answered at 2.30 on Thursday - with the announcement of the ballot at 3.30. (If there is a overwhelming "yes" result, BL will announce at 11.30 on Thursday morning.)

The second part of the answer (paras. 2 and 3) is now much better in particular, there is now no reference to the ballot.

I suggest that we say that Sir Keith can go ahead with paras. 2 and 3 but not with para. 1 (except if he waits until the result is known tomorrow). If the answer is confined to paras. 2 and 3, the question will of course need to be redrafted.

Do you agree?

7.

30 October 1979



CONFIDENTIAL



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PS/ *Secretary of State for Industry*

30 October 1979

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

*Dear Tim*

... My Secretary of State is engaged with the Conservative Backbench Industry Committee and has asked me to explain his view that a Written Answer on the lines of the enclosed draft should be made on Wednesday.

My Secretary of State has seen John Hoskyns' minute of today's date, but thinks that, if there is an ambiguous result, there is a real risk of a possible creditors' run. Sir Michael Edwardes says that the clearing banks have questioned with him the future prospects of BL within the last couple of days. Sir Michael has also drawn our attention to the risk that if we do not make a statement about the assurances to creditors before the ballot result is announced, we might be forced to make a very similar statement some time in November or December when conditions would be much more adverse. He thinks this risk may even arise if there is a strongly favourable vote because of uncertainty about the Government's attitude.

We also see advantage in a prepared Statement on the lines proposed because it would place the Government's position firmly on the record and would provide a reference point for answering future Parliamentary Questions etc. There is always a risk that, if we have no statement on the record, the press or other commentators may misinterpret any ad hoc remark which Ministers might make.

I am copying this letter to Martin Hall (HM Treasury), Ian Fair (Employment), Godfrey Robson (Scottish Office), Stuart Hampson, (Trade), Bill Beckett (Law Officers' Department) and Martin Vile (Cabinet Office).

*Yours sincerely*  
*Ian Ellison*

IAN ELLISON  
Private Secretary





REVISED DRAFT INSPIRED QUESTION AND ANSWER

Question

To ask the Secretary of State for Industry whether he will make a statement on the current BL situation with particular reference to the operation of Para 10 of the Schedule to the National Enterprise Board (Guidelines) Direction 1976 in respect of BL

Answer

My predecessor, the Rt Hon Member for Chesterfield, explained to the House on 26 May 1977 (Official Report Col 598) the operation of this Paragraph in relation to BL. This amounted to an unqualified assurance that the NEB could not allow BL to be left in a position where it would not be able to meet its obligations. I confirm that the present Government accepts this inherited commitment.

It is for the BL Board to decide whether or not to submit to the NEB a new Corporate Plan involving additional public funding.

✓ If they should decide not to seek further public funds, the Government would need to receive and consider the recommendations of the NEB (after the NEB have consulted the BL Board) about the future of the company before making any further statement to the House. ✓

If the BL Board put forward a new Corporate Plan and the NEB recommends approval, the Government will need to give it the most careful consideration before making any decision upon it. In doing so the Government will take full account of the company's performance and prospects.

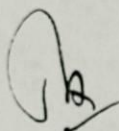


BRITISH LEYLAND

1. Michael Edwardes told me last night that the poll was extremely heavy. A substantial "yes" majority therefore seems extremely likely.
2. From this it follows that a reassurance on BL's ability to meet its obligations will not be necessary. In any case, that can be done quickly enough after a "no" result. I have never understood DoI's anxiety about a "run on BL". It seems unlikely that a reassurance will be needed at all, let alone before the result of the poll.
3. I do favour, however, a pre-emptive statement or reply to a PQ, designed to put the significance of a "yes" result into perspective, as per paragraph 2 of my letter to you of 26 October. Such a pre-emptive statement must, at the same time, strengthen BL management's position for the forthcoming pay negotiations and for the "right to manage" if BL is, in the end, given one more chance. Thus, "of course, we all hope that the result of the ballot will show the voice of shop floor moderation, the readiness of the work force to give management its full support in tackling its very difficult task. But we have to recognise that <sup>it</sup> will then be for the BL Board to decide whether to put forward a new Corporate Plan for NEB's approval. The Government cannot give any advance commitment to a Plan which has not been put to it, and indeed has not yet even been put to the NEB."
4. Your Department will know, by now, whether the BL management's package of counter-proposals on union practice really is a tough and substantial demand or not. If it is, then we do not have to worry about the contingency for which my original note of 18 September catered (ie the possibility that Edwardes might refuse to go along with our negotiating strategy and might even leak, if things started getting rough, that we were forcing him to take a line which he did not really support). If, <sup>as</sup> he maintains, and the package purports to show, BL management really is going for broke in tackling the union roadblock, then there is no difficulty in the Government following its preferred line of standing right back from the negotiations so that BL management's authority and credibility are strengthened to the maximum - so that their chances of negotiating the package are enhanced, and their "right to manage" thereafter is reaffirmed. This must be the right approach, whatever our final decision on whether to back BL's Corporate Plan with extra finance.

*This would be no more than a first step.*

5. When I talked to Edwardes last night, I asked him how he expected the pay negotiations to go, whether there might be a strike etc. He didn't expect one. But he said that, if there was any difficulty, he would not hesitate to go over the heads of the shop stewards and union officials, once again, to the whole work force with a ballot. They know, and he knows that they know he would do this, and this helps to set the stage for the negotiations. I mention this because, in discussions with Bullock and Bell, (a) it was stressed that strike ballots would not be enforceable at BL because they contravened union rule books, but Edwardes seems all set to outflank that problem by balloting on the proposals from the outset; and (b) it was assumed by them that Edwardes would not want to overwork the ballot weapon and would therefore be reluctant to use it again after the present exercise. This does not appear to be the case and he seems ready to use it again almost within days.



JOHN HOSKYNS

30 October 1979