



PRIME MINISTER

BRITISH LEYLAND

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Sir K Joseph reports
on BL. He asks that
colleagues avoid public
comment at this stage,
given the risk of
making BL's bankers &
creditors nervous

MAD 7/11

This minute is to warn you and colleagues of important developments which will occur next week.

Recent press reports though inaccurate in detail are generally well-founded. Michael Edwardes has told me that on Monday 10th September, to coincide with publication of BL's Half Yearly Results, he will be telling the workforce that the company's chances of survival are slim without the boldest action on productivity, product development and the rationalisation of production facilities.

He will announce in particular that the BL Board propose that car assembly should be concentrated at Cowley and at 4 principal sites in the West Midlands, Longbridge, Browns Lane, Common Lane and Solihull. Canley (Coventry) will be closed and Abingdon will carry out non-assembly activities for the Cowley plant. The major component plants affected are Castle Bromwich, which will cease many of its current activities, and there will be a significant reduction in foundry activity at West Yorkshire and Tipton. The remaining Speke plant will not be closed although there will be some reduction in existing activities with consequential redundancies. The future of a number of other plants is being reviewed, including the assembly plant at Seneffe (Belgium). Commercial vehicle activities will be concentrated at Leyland, Glasgow and Bathgate. The closure of the bus plant at Park Royal

/in North London...



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in North London will be announced on 10th September. The total BL workforce will be cut by at least 25,000 as a result of these plans over the next two years.

The introduction will be accelerated of the new medium car range to combat the decline in market share. The Mini Metro (LC8) will be launched as planned in 1980; the new Honda car (LC9) will be manufactured at Cowley and introduced in 1981; the LC10 which will replace the existing Marina and Maxi, will be produced at Longbridge for launching in 1982 and a larger version will be made at Cowley for introduction in 1984. Apart from the LC8 all these proposals are subject to NEB and Government approval.

The Board will only be submitting these proposals to the NEB and me if they are convinced that workforce cooperation can be secured. The results of discussions with the workforce will be formally assessed by the BL Board in mid-October.

I expect that Sir Michael will indicate his Board's view that notwithstanding these actions (indeed to some extent because of the cost of them) the company will require additional funds beyond the £225m still remaining of the £1000m which our predecessors had in principle committed to BL. I have made it clear to Leslie Murphy and Michael Edwardes that proposals for public funding of up to £225m will have to be fully justified in the Plan and that any proposal for the provision of public funds beyond that amount would present me and colleagues with great difficulty.

I have asked that the scope for raising money from BL resources

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should be thoroughly considered.

At my request the company and the NEB are examining the implications of several options (including no more public money) to enable us to form the clearest possible picture of the realistic alternatives open to Government. This separate exercise should not become public knowledge.

There is no immediate cash crisis at BL and decisions about funding do not have to be taken until we have received their new Corporate Plan from the NEB in November. I want to keep an open mind until then and not give the impression of having already taken decisions on the question of further funding. I would ask colleagues to bear particularly in mind that any public statements capable of being interpreted as meaning that no further funds may be forthcoming could produce a crisis of confidence amongst BL's bankers, other creditors and dealers with potentially very serious consequences for the company.

There is clearly going to be a big storm next week. I think we should remain as aloof as possible from this and say that we are not in a position to approach any decision until BL's final proposals have been considered by the NEB and, amended or not by the NEB, put to us. I shall point out that even under the previous Administration the release of further funds was to be conditional on the assessment of performance and future prospects and there is no question of the Government being diverted from its intention

/of taking such.....



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of taking such time as is necessary this Autumn to carry out a thorough and dispassionate review of the company's needs in the new circumstances in which it finds itself.

I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for Employment, Trade and Scotland and Sir John Hunt.

A.A. Duguid.

P.K.J.

7 September 1979

(approved by the Secretary of State and signed in his absence)

Department of Industry
Ashdown House
123 Victoria Street
London SW1

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