



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

PRIME MINISTER

BL

You will recall that one of the proposals in the report on BL prepared for me by Mr Grenside of Peat, Marwick, Mitchell was that BL should seriously consider the possibilities of corporate restructuring.

2. Michael Edwardes came to see me at the end of last week to outline his Board's preliminary proposals on this subject. In this minute I set out for colleagues' information what he told me.

3. Michael said that his Board considered that the time was now ripe - as it had not been earlier because of the risk of a decline in company morale affecting the Metro - to consider both contingency planning and disposals. These two aspects had been merged into one plan for the future of BL, which involved the division of BL Ltd into four separate businesses which would only be under the overall control of BL Ltd if desired. Of these four businesses (set out at Annex A), Michael said the Land Rover Group and Unipart Group, as cash generators, could and would be floated during 1981 so that BL Ltd or some successor to it would retain only a 40% holding. In response to my questioning, however, Michael agreed that his Board would be prepared to consider total disposal by flotation. As an

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

aside/...



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

2.

aside, he also pointed out that the remaining 90,000 private shareholders in BL Ltd could probably be bought out with the offer of shares in either of these groups, which would remove them from BL Ltd as a whole. According to Michael, Leyland Commercial Vehicles, the third group, ought to be in a position to be floated off at a later stage. This would enable BL Cars to be isolated in the remaining group and would make any decisions on it easier to take in the knowledge that the profitable parts of the company would not be affected.

4. Michael assured me that, although BMW do not yet know about these proposals, they should not affect the progress of negotiations with them, or with any other company; collaboration would simply proceed with whichever individual group was concerned. Michael added that the negotiations with BMW were still very much alive. This accords with the assessment officials in this Department have been able to make from other contacts, and decisions may be reached in mid-September.

5. Michael was not prepared to be drawn very far on the costs associated with his proposals, since detailed work has still to be done on this aspect. However, he did indicate that some £200m might be generated from the floating of Land Rover and Unipart, that Leyland Commercial Vehicles might need some minor financing for a short period, and that BL Cars, deprived of the cash generation from the other parts of the business,

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

would/...

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE



3.

would require substantial further funding over the medium term. He admitted that the funds generated by the disposals would not cover this requirement.

6. Michael wished to know now whether he had a yellow light from us at this stage, on the basis of which he would develop the proposals further and discuss them again with me in September; at that stage he would request a green light so that his proposals could be included in, probably, separate corporate plans for each group for presentation to me in the autumn.

7. I told Michael that the ideas which he had put forward in outline were attractive, and that the disposals proposed would seem to ease public sector financing problems; he therefore had the yellow light he requested. However, I stressed to him that more detailed consideration needed to be given to his proposals, particularly in the frame of the further work on costs which still remained to be done, before I could give him a green light.

8. I have reported these proposals in some detail at this relatively early stage because they seem to me to demonstrate the wide-ranging nature of Michael's consideration of the future for BL, and the extent to which he has taken our concerns on board. I think it is now almost inevitable - as Michael indicated during the dinner you hosted in May - that substantial

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE



4.

further funding will be sought for BL Cars. These proposals, apart from their other attractions, will have the effect of helping to minimise the overall call on public funds, especially in 1981-82. I shall minute you again later this month or early in September when BL have been able to provide us with the required costings.

9. I am copying this minute to Geoffrey Howe, Jim Prior, John Hoskyns, Robin Ibbs and to Sir Robert Armstrong.

KJ

K J

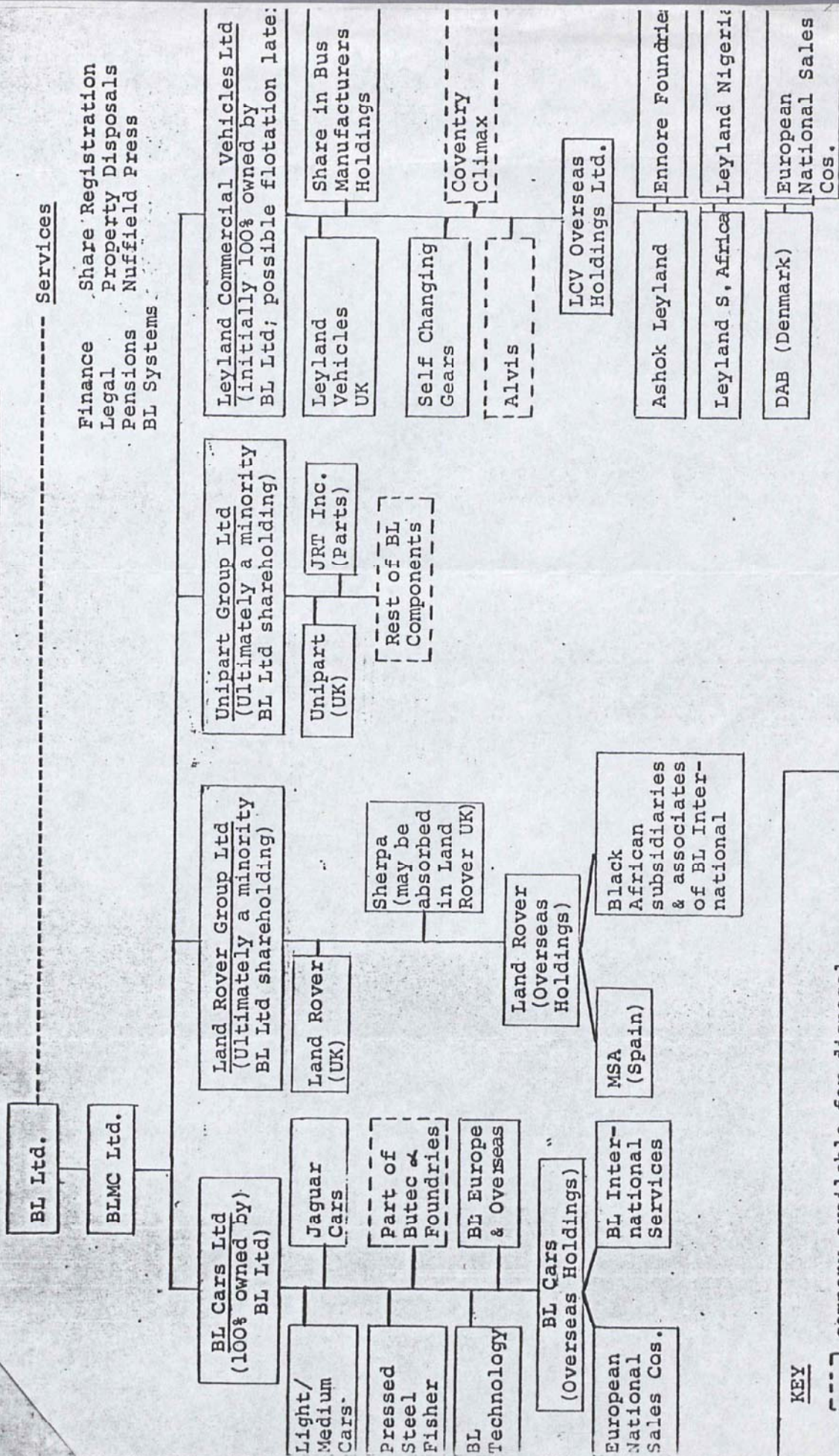
6 August 1980

Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

PROVISIONAL OUTLINE OF REVISED STRUCTURE FOR BL LTD.

ANNEX A



KEY

- company available for disposal
- Other companies for early disposal (not included in chart)
- Aveling Barford/Prestcold/Leyland Australia