

cc. AD

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DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

22 January 1982

The Rt Hon George Younger MP
Secretary of State for Scotland
Scottish Office
Whitehall
London SW1

Prime Minister

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MS

MUS 22/1

Dear George,

Thank you for your letter of 22 December supporting the proposal that BL's 1982 Corporate Plan be approved. As you will know, Norman Lamont announced before the Christmas recess the Government's approval of the Plan.

2 Scotland has indeed had to bear the brunt of much - although by no means all - of the Leyland Group's restructuring over the last couple of years, with further substantial redundancies being announced last November. I appreciate the hardships this has caused and can understand your concern that future redundancies be kept to a minimum. It is, of course, not possible to say with certainty how the Leyland Group will perform in the future, but I think the outlook is more hopeful than it has been for some time. For the first time in well over a year, the Group now has a coherent and realistic plan which has been endorsed by the Board and which offers real hope for the future survival and prosperity of the businesses involved.

3 However, I would be the last to pretend that the going will be easy particularly in view of the current fierce competition in the commercial vehicle market. The task that faces the management in carrying out the reorganisation, model development and control of costs envisaged in the Plan is clearly considerable. I do think it is important that the Government should not make the task more difficult by trying to become involved in this process. Should the Group's performance deteriorate, then the BL Board might consider drastic action, possibly including closure of the trucks business, to be necessary. Any such major decision would be discussed by Ministers, and you would of course have the opportunity to make your views known then.

4 But, as I have said, the establishment of a Plan which firmly



tackles the Group's current difficulties is a major step forward and, I believe, gives grounds for cautious optimism.

5 I am copying this letter to the Prime Minister, Geoffrey Howe and Norman Tebbit.

*Yours
Pat*

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BL will call 29/12

CONFIDENTIAL
COMMERCIAL - IN CONFIDENCE

Prime Minister (2)



SCOTTISH OFFICE MS 22/12
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

22 December 1981

I have seen your minute of 11 December to the Prime Minister proposing an announcement giving approval to BL's 1982 Corporate Plan before the Christmas recess.

I have given the interdepartmental Group's report a good deal of thought. There is no doubt in my mind that the political, economic and commercial arguments must lead us to reject liquidation. BL themselves have rejected it because it would not make commercial or financial sense for the Leyland Group or BL as a whole. From the Government's point of view the PSBR costs involved would be very considerable indeed while BL's own proposals would involve no increase in the funding we have already agreed. Moreover, following the recent closure of Talbot's Linwood factory, closure of Leyland Trucks would be catastrophic in both employment and political terms.

In my letter of 3 August to your predecessor I said that I would have great difficulty in justifying action leading to substantial curtailment or complete shutdown of the Leyland Group. The rationalisation announced by Leyland on 20 November will involve the loss of 1,365 jobs at Bathgate (including 850 associated with the proposed withdrawal from tractor production) and 140 jobs at Albion in Glasgow. This has put me under considerable pressure and I am tempted to say that politically I feel we cannot allow demanning to go further. Yet implementing BL's plan for Leyland will involve the shedding of several hundred more jobs at Bathgate after next year.

I am, however, driven reluctantly by the argumentation in BL's Plan to conclude that their proposals offer the only hope of putting Leyland once again on a profitable footing and I therefore support your recommendation. But BL should not accept too readily that further rationalisation is inevitable and I hope you will impress on BL that in implementing their proposals they should allow for the possibility that monitoring may show the measures already announced to be sufficient. In any case, the political implications of further redundancies in 1983 are such that BL should be left in no doubt as to the need to warn us well in advance of any further measures they propose to take.

I have seen your letter of 21 December and given the political sensitivity surrounding the sale of the tractor assets I am reassured to note that the announcement you propose to make will be in general terms, indicating that the progress being made by BL justifies continuing support on the terms announced last January.

Finally, may I repeat my wish to be consulted on developments affecting the Leyland Group and to be involved in any further discussions about the future of BL?

I am copying this letter to the Prime Minister, Geoffrey Howe and Norman Tebbit.

Approved by the Secretary of State
and signed in his absence.

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