

Ind. Pol MFT

Lee



cc: JOT
DM
HMT
CPRS
Co

10 DOWNING STREET

From the Private Secretary

25 January 1982

bc: A. Duguid

BL Future Structure

The Prime Minister held a discussion this evening with the Chancellor, the Secretaries of State for Industry, Trade and Employment; Robin Ibbs and John Hoskyns were also present.

The Prime Minister said that she found that the terms of reference for the Corporate Consulting Group, and the attached objectives for BL which were enclosed with your Secretary of State's minute to her of 21 January, were lacking in clarity. In particular she thought that objective ii(a) was inconsistent with the remainder of the objectives, that there appeared to be a broad hint at the beginning of objective ii that further Government finance beyond that already agreed would be available, and that the second paragraph of the terms of reference gave insufficient emphasis to the interests of the Government as shareholder in BL.

After discussion the attached revised terms of reference and objectives were agreed. The Department of Industry would put these to Sir Michael Edwardes and his board as soon as possible, to enable the Corporate Consulting Group to commence their work.

I am sending a copy of this letter to John Rhodes (Department of Trade), Barnaby Shaw (Department of Employment), John Kerr (HM Treasury), Robin Ibbs (CPRS) and David Wright (Cabinet Office).

MS

Jonathan Spencer Esq
Department of Industry.

JS

DRAFT: A

The objectives for BL's business are:

1. To plan and implement a strategy for the return of all constituent businesses, either together or separately, as soon as practicable, to the private sector, and to ensure that nothing done under 2 or 3 will prejudice this strategy.
2. Consistent with 1, to dispose of or close peripheral activities so as to concentrate on vehicle manufacture and sales.
3. To pursue a programme of product, market and business development, wholly within the limits of public funding already agreed and announced by the Government, so that the business can be made to operate on a continuing commercial basis, and in particular to bring about the achievement of a rate of return sufficient to attract external funds on normal commercial terms to enable the business to trade independently of Government support,

TERMS OF REFERENCE FOR CONSULTANTS

1. To consider and make recommendations in the light of the draft Government objectives for the group (copy attached), on whether any changes are desirable, in connection with the departure of Sir Michael Edwardes at the end of 1982 in the organisation for management of the activities within the BL group, and if so what form of organisation might best meet these objectives.
2. The investigation will evaluate the proposals made by Sir Michael Edwardes and the Board and recommend alternatives where appropriate; taking into account (i) the Government's need as shareholder to satisfy itself that any changes will not prejudice the objective of returning the businesses to the private sector; (ii) the Board's responsibilities (a) to make commercial judgments and (b) to measure and control the operating efficiency of the company.

The study should cover the possibility of retaining a single holding company with two or more major operations, or a number of smaller operations for which management responsibility is fully delegated.

3. This assignment should be completed within four weeks. All contacts with BL should be made through the Chairman. In view of the commercial confidentiality of this enquiry, no contacts should be made with organisations other than BL and the relevant Government departments without prior consultation with the Chairman.

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DRAFT: ALTERNATIVE B (remain closer to Mr Denkin's)

The objectives for BL's business are:

1. To dispose of or close peripheral activities so as to concentrate on vehicle manufacture and sales.
2. To pursue a programme of product ~~and market~~ development, market and business development, wholly within the limits of public funding agreed and already announced by the Government so that the business can operate on a continuing commercial basis, and in particular to bring about the achievement of a rate of return sufficient to attract external funds on normal commercial terms to enable the business to trade independently of Government support.
3. Consistent with 1 and 2 above, to plan and implement a strategy for the return of all the constituent businesses, either together or separately, as soon as practicable, to the private sector, and to ensure nothing done under 1 and 2 will prejudice this strategy.

DRAFT: ALTERNATIVE A (Your preferred version)

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