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Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
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10 February 1982

Michael Scholar Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Prime Minister

Dear Michael

BL: LEYLAND TRUCKS CLOSURE

Thank you for your letter of 8 February mentioning some information which the Prime Minister would like to have about the benchmarks for Leyland Trucks and the costs of closing the business. MUS 12/2

2 BL staff have provided officials of this Department with a list of headings against which the performance of Leyland Trucks will be measured this year. The list (which has been drawn up since the Corporate Plan was approved) includes sales, quality, material cost, manpower, plant closures, value added and profitability by model; targets and the timetable for their achievement will be set and provided to the Department as soon as possible. Progress against these targets for each of these elements will be reported to the BL Board and the Department on a monthly basis for monitoring purposes. The first report, covering January and February, is likely to be received with the normal monitoring report at the end of March.

3 The Treasury are looking again at the estimates given in the report of the official group on BL last December of the cost of closing Leyland Trucks. I expect you will be hearing shortly from John Kerr about this. According to BL, the strike has so far cost the Leyland Group about £4 million. They are confident that the cost of keeping the business going, on the assumption that the strike can be satisfactorily brought to an end, will be in line with the forecasts in the 1982 Plan.

4 The latest indications from BL are that the company would not proceed with warnings of dismissal, and the subsequent closure of Leyland Trucks if these were not heeded, quite as quickly as indicated in Sir Michael Edwardes' letter of 29 January. My

*Very thin - almost invisible. We shall need more when then M6.*

*This is very thin. The Policy Unit will let you have comments when the Treasury report at X is with us; early next week, I am told.*

*done MFD 19/2  
PL HU A.D about  
this - he's not with  
1145*

*cc AD (2)*

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Secretary of State is expecting to hear again from Sir Michael later this week, and will keep the Prime Minister and other colleagues informed.

5 I am copying this letter to the recipients of yours and to Muir Russell at the Scottish Office.

*Yours ever*

*Jonathan*

J P SPENCER  
Private Secretary

10 FEB 1982



COPIED FROM



Ind P.A. JP  
 cc itm  
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 CPRS  
 CO

## 10 DOWNING STREET

From the Private Secretary

8 February 1982

BL: LEYLAND TRUCKS CLOSURE

The Prime Minister has seen your Secretary of State's letter of 3 February to the Chancellor proposing that contingency arrangements should be activated for the issue of guarantees in the event that BL have to proceed within the next two weeks with dismissals and the closure of Leyland Trucks. She agrees that these precautions should be taken.

Your Secretary of State's minute of 11 December 1981, covering a report by the official group on BL, recommended continued support for BL. The recommendation contained in the official report on the Leyland Group plan (paragraph 75(i)) was that the Leyland Group plan should be approved on the basis that:

"The benchmarks against which the plan says the progress of Leyland Trucks will be measured, and on the achievement of which decisions will be made on continuing, modifying or abandoning the plan, should be declared to the Government; and progress against them should be included in the monthly monitoring arrangements for BL as a whole."

The Prime Minister would like to know whether these benchmarks have been declared to the Government.

Annex C of the official report provided estimates of the effects of closure of Leyland Trucks. The Prime Minister would like to know whether the estimates contained in paragraph 15 of that note represent an up-to-date assessment. She understands that the redundancy costs (which averaged £5,850 per individual) would be substantially less if closure took place during a strike. She would also like to know the cost of keeping the business going on the assumption that the strike can be satisfactorily brought to an end.

I should be grateful if you could supply this information by close of play on Tuesday 9 February.

/ I am copying

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I am copying this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), Gerry Spence (CPRS) and David Wright (Cabinet Office).

M. C. SCHOLAR

Jonathan Spencer, Esq.,  
Department of Industry.

MR SCHOLAR

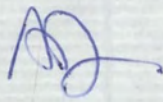
BL: LEYLAND TRUCKS CLOSURE

1. The Treasury has provided some provisional estimates of the cost of closure. The estimates are rather lower than those made when the last Corporate Plan was examined. A range of figures has been included for redundancy costs because BL will have a good deal of discretion as to whether redundancy payments are made to those dismissed during the strike.
2. The table below summarises the public expenditure and PSBR costs of closure over the next 3 years (assuming that costs start to fall from April onwards). A plus sign indicates a transaction adding to public expenditure and the PSBR (eg a worsening in BL's cash flow). As you will see, the result might be a saving in public expenditure terms, but there would be some addition to the PSBR.

	£ Million		
	82-83	83-84	84-85
Effect on Leyland Group cashflow	-10 to +50	-50	+30
Elimination of BL central contingency	-50	-40	-50
Repayment of BL debt	+5	0	0
Payments from State Redundancy Fund	+5 to +15	0	0
Social security benefits	+25	+40	+30
	—	—	—
Total public expenditure	-25 to +45	-50	+10
Lost tax and NI revenue	+45	+60	+50
	—	—	—
Total PSBR effect	+20 to +90	+10	+60

Employment effects

3 The net effects of most likely closures would be a loss of 12,000 jobs over and above the 4,000 already assumed in the Corporate Plan. This would lead to some losses among supplier firms, offset by some gains in rival UK companies. The net job losses outside BL are estimated at 9,000. Treasury economists assume that 50% of the total of 21,000 unemployed would be reabsorbed by 1986.



ANDREW DUGUID



10 DOWNING STREET

Michael

No need to show this  
to the P.M. yet, unless  
you particularly want to.

The figures are provisional  
and the "thin" letter  
did say that there would  
be a further report.

MJ.

15/2.