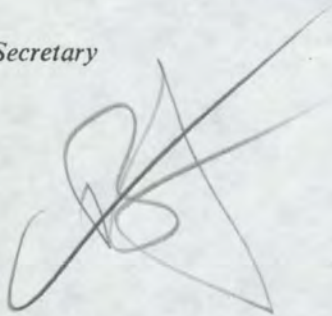




10 DOWNING STREET

*From the Private Secretary*

22 March 1982



BL's Future Structure

The Prime Minister studied further over the weekend your Secretary of State's minute of 16 March, together with the paper attached thereto, about the Corporate Consulting Group's study of the BL Board's proposal on future structure.

The Prime Minister has commented that she considers that Land Rover should be sold off as quickly as possible (she does not understand why privatisation is expected to take eighteen months, given that Land Rover became a separate company on 1 January 1982). The Prime Minister has further commented that, if Land Rover is to be sold off soon, there is little point in putting it into a restructured company; and that if Sir Michael Edwardes is not staying on, the new Chairman should have the main say in any changes in the structure of the company which are to take place.

The Prime Minister enquires whether the accounts of Jaguar could be made up as for a separate unit.

The Prime Minister also has enquired about the implications of the Board's "absolute commitment to the limitations on Government funding envisaged in the 1981 and 1982 Corporate Plans", to which your Secretary of State referred in paragraph 7 of his minute. The Prime Minister is not clear how the commitment of the present BL Board can be binding on the Boards of the two separate successor companies. She wonders, too, if, in the eventuality of BL finding that additional funding is inescapable, the Board would seek to honour the letter of its commitment by seeking to raise private sector loans on the basis of implied Government guarantees; or whether it would, in those circumstances, be more likely to say that there was no commercial case for continuing with the plan and would then propose some degree of winding up - possibly at a time which would not be of the Government's own choosing. The Prime Minister concludes that, before the Government accepts the "absolute commitment" on funding as an important argument for retaining the present Board, these implications need to be assessed carefully.

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I would be grateful if you would put in hand, in time for the 21 April meeting, such an assessment. The Prime Minister would also like to see, in time for that meeting, a specific plan for the total privatisation of Land Rover. She asks, too, what plans the Department of Industry has for ensuring that the strength of the Board and management of the two new companies would be adequate for the tasks facing them.

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

M. C. SCHOLAR

Jonathan Spencer, Esq.,  
Department of Industry.

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