

11 February 1986

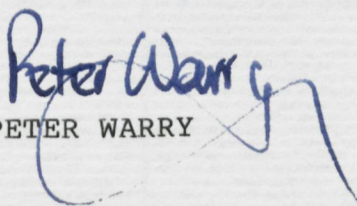
NEW BIDS FOR BL

Eight new bids have been received for parts of BL, at this late stage in the GM negotiations these are more of an embarrassment than a help. But DTI are right to avoid a further public row by requiring that the new bids should be given proper consideration - it is only a pity that DTI were reluctant to do this last year. The Volvo approach was reported in Saturday's Financial Times and others will no doubt follow.

Of the bids for Leyland Trucks none has the industrial logic of GM and none of them look serious. David Brown dabbled with a bid for Vosper Thorneycroft but subsequently withdrew, Renault had extensive discussions with Leyland Trucks in 1978 which went nowhere, and Paccar (who recently purchased the Foden truck company) may be put off by the scale of the liabilities.

The bids for Land Rover look more serious but none seem likely to pay as much as the very generous price GM are offering, and only the management buy-out is offering to take Leyland Trucks as well. Negotiations for Leyland Bus are not far advanced and Volvo's interest should be encouraged.

To avoid BL rebuffing these further bids out of hand, it is essential that DTI monitor the discussions and ensure that as much information as possible is given to the potential bidders, including the 1985 draft accounts. We should ask for a price range within two weeks. Hopefully this will eliminate all the new bidders, but if any are realistic, then at least a further fortnight would have to be allowed for more detailed discussion and negotiations.


PETER WARRY

PRIME MINISTER

SALTON

Mr. Channon's minute on BL is below. He is coming in with Mr. Morrison at 1745 for half an hour.

There are two issues:

- (i) How the new approaches are to be handled;
- (ii) Whether and how other Cabinet colleagues are to be consulted or informed.

The Chancellor has seen Mr. Channon's minute. He has pointed out that the main problem is to sell Leyland Truck, and Land Rover is on offer to GM only because they would not take Leyland Truck without it. He suggests that in considering these further approaches the Government and the BL Board should concentrate on the approaches for Leyland Truck, and particularly that from David Brown, which is the only British approach. The approaches for Land Rover can be left to tick over until Leyland Truck is settled. (It would, incidentally, be very odd to sell Leyland Truck to Renault when the Government has said that the most secure future for BL will lie in the private sector).

Treasury officials think DTI are optimistic to believe that bids could be prepared by these newly interested companies within two weeks.

On the question of informing colleagues, the Chancellor takes the view that these further approaches are a matter for the BL Board. E(A) could meet when there is a proposition to discuss. There is no sense in circulating the information to colleagues at this stage.

The knowledge of the further approaches is quite likely to leak. Is there not a risk that some colleagues (e.g. Mr. Fowler and Mr. Walker) would be further annoyed if they discovered that the DTI knew of them and did not tell members of E(A)?

DW

David Norgrove

11 February 1986

(DG2AVF)

cc PW.

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PRIME MINISTER

SALTON

The negotiations with GM are being vigorously pursued and, unless there are unforeseen complications, I expect to be in a position to announce the conclusion of a Heads of Agreement between the companies by the end of the month.

2 We are however faced with an immediate difficulty in how we handle approaches from other parties for various parts of Land Rover-Leyland which have been made since news of the GM talks became public. I enclose a list of those who have so far expressed interest but others may emerge over the next few days. Clearly there must be a real risk of all this becoming public knowledge in the near future.

3 On industrial grounds, none of the proposals made - even in combination - appears to offer the benefits we expect from SALTON notably rationalisation of truck and van production in the UK and a strong motor industry parent for Land Rover with the technical and financial resources and world-wide distribution to make the businesses internationally successful. The BL Board also believe that a deal with GM offers the most promising way forward and would not wish to reply to any of these new approaches in a way which would prejudice the SALTON talks.

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4 The options include:-

- (a) to rest on the present judgement of the BL Board that SALTON is the preferred choice on straight commercial grounds;
- (b) to invite BL to examine these new options thoroughly and to advise us on the best package;
- (c) to ask the Board to arrange for these new approaches to be given a reasonable level of examination and invite cash bids from the parties on the basis of published (or very limited additional) information. This would need to be completed in a timescale which did not unduly delay conclusion of a deal with GM eg. say two weeks.

5 I strongly recommend that we pursue option (c). In present circumstances, I do not believe Option (a) is a politically defensible way forward. Whatever the industrial merits of SALTON we should most certainly be attacked for allegedly having pressured the Board into dismissing potentially attractive alternatives, including a British solution for Land Rover.

6 Option (b) is equally unattractive as it would require several months of study and there would be a serious risk of losing the GM deal. Option (c) on the other hand would allow an opportunity to gain some appreciation of the price others



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are willing to pay for individual parts of LRL; would enable us to claim that these options had been looked at in a considered way by the BL Board and been found wanting; and (although we would need to carry GM with us) would mean minimum delay to the SALTON timetable.

7 You may wish to discuss the handling of all this.

8 I am copying this minute only to the Chancellor of the Exchequer.

PC

PAUL CHANNON

// February 1986

Department of Trade & Industry

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INTERESTED PARTIES

SALTON BUSINESSES

PARTY

INTERESTED IN

Dutton Forshaw Motor Group
(Lonhro)

Land Rover
Freight Rover

Volvo
JCB
Cummins Engine Company/
Paccar Truck
(both US-owned)

Land Rover
Land Rover
Leyland Truck (primarily)

David Brown Engineering

Leyland Truck

Renault

Leyland Truck

LRL Management Buyout

Land Rover and Freight Rover

NON-SALTON BUSINESSES

Volvo

Leyland Bus



put in by the Secretary of State for Employment being a member of the House of Lords and therefore utterly unaccountable to the House and to hon. Members whose areas will not get one penny out of this meagre announcement? We are unable to ask why we have been left off the list. It is an outrage—

Mr. Speaker: Order. The hon. Gentleman knows that that is not a matter for me. The Paymaster General is, after all, a member of the Cabinet.

British Leyland

4.55 pm

The Secretary of State for Trade and Industry (Mr. Paul Channon): Yesterday, I informed the House that talks were at an advanced stage on the proposal for a merger between Land Rover—Leyland and the Bedford Commercial Vehicle subsidiary of General Motors. It is the Government's intention that, subject to satisfactory terms and conditions, and the receipt of firm undertakings from GM on its manufacturing and sourcing intentions, these negotiations should be brought to an early and successful conclusion.

I also confirmed that, following an approach by the Ford Motor Company, wide-ranging but, at this stage, exploratory discussions with the Austin Rover Group were in progress which might lead to a proposal for the merging of those businesses. I wish to inform the House at the earliest opportunity of the most recent developments affecting these discussions, in particular as regards Austin Rover.

The Government would have preferred to have waited until the exploratory talks had clarified the difficulties and opportunities a merger might have created and then taken a decision in principle, on the basis of a considered analysis, whether to pursue the possibility further. Speculation surrounding these exploratory talks has itself given rise to very great public concern and uncertainty. If that were to continue for an extended period, it could have seriously damaged the prospects for Austin Rover's business, its employees, its suppliers and its dealers. Nor would such a period of uncertainty have been helpful to many people associated in comparable ways with Ford's business in this country. Concern about these developments was expressed very clearly on both sides of the House in yesterday's debate. The Government have given full and immediate consideration to the situation so created. We have decided that the right way to end the uncertainty is to make it clear that the possibility of the sale of Austin Rover to Ford will not be pursued.

It is the Government's intention, with the agreement of the BL board, that negotiations should be pursued for the separate privatisation of Unipart by the early placement of shares with United Kingdom institutions.

Collaborative arrangements in the motor industry will become increasingly necessary and important. Austin Rover Group's successful relationship with Honda is an example of that. I hope that Ford and Austin Rover will also consider positively other opportunities for collaboration. I should like to pay tribute to Ford's contribution to the British economy through research and development, manufacturing and employment.

I hope that the Government's decision and the ending of uncertainty will leave Austin Rover free to devote its efforts to the further development and growth of its volume car business, building on creditable progress which has already been achieved.

Mr. John Smith (Monklands, East): Can the Secretary of State explain why he has managed to attract some members of the Cabinet to sit beside him today although he was signally left on his own with his unfortunate task yesterday?

As for the proposals for Land Rover-Leyland vehicles and Bedford, can the Secretary of State tell us what is the

[Mr. John Smith]

difference between what he calls a merger and a takeover? Are the Government involved in the discussions to ensure that no arrangement which sells our crucial British interests is arrived at? What are the implications in terms of jobs and of the location of manufacturing plant?

In view of the history of an industry in which assurances have frequently been given, how will any assurances be made binding and unbreakable? Will the Government arrange for a full debate in Government time at an appropriate stage so that the full implications for jobs and British interests can be assessed properly before any conclusion is arrived at?

In making it clear on behalf of the Opposition that I welcome with relief the decision taken by the Cabinet this morning to abandon talks about the sale of the Austin Rover Group to Ford, may I remind the Secretary of State that he and his colleague, the Minister of State, derided the Labour party's motion yesterday suggesting that the talks be abandoned forthwith? Although the right hon. Gentleman and his colleagues voted last night against the motion that the talks should be abandoned, is it true that the Cabinet had to accept the force of the Labour party's case?

Has the Secretary of State reflected on the fact that if the Opposition had not exposed the existence of the talks, flushed out the Secretary of State on Monday and had not debated the issue yesterday in a way that allowed the full force of parliamentary and public opinion to be expressed, the likelihood is that the secret talks would have been continuing with the prospect of the sale of Austin Rover still alive. Why were talks that were never in the public interest ever started?

Why are the Government persisting in the sale of Unipart, the loss of which will only weaken the strength and integrated force of the British Leyland group at a time when all its strength is required to survive and prosper now that, at last, it has been permitted to remain British?

Mr. Channon: The hon. Gentleman asked about General Motors in relation to Land Rover-Leyland. As the House will remember, I made a full statement a few days ago. I outlined, with care and in some detail, the undertakings that we would require before any deal with General Motors would be acceptable to the Government. The question of a further debate in the House is a matter for my right hon. Friend the Leader of the House. Obviously, the right hon. and learned Gentleman's point is noted.

As to the reason for deciding not to pursue the talks between Austin Rover and Ford, I have tried to explain why, in my view, it is essential at this stage to end uncertainty. I believe that it is in the interests of Austin Rover and Ford. It will be widely welcomed in the House that the Government have taken an early decision to end that damaging uncertainty.

Mr. Steve Norris (Oxford, East): I thank my right hon. Friend for his statement, which will be warmly welcomed by the work force of Austin Rover at Cowley. I especially thank him for the speed with which he has killed the damaging speculation, which arose as a result of the leak of the confidential talks. Will my right hon. Friend bear in mind the workers of Unipart who, contrary to what the right hon. and learned Member for Monklands, East (Mr.

Smith) suggests, welcome the move towards privatisation? Will they have the opportunity to be included in any anticipated share issue?

Mr. Channon: I am extremely grateful to my hon. Friend for his support. He certainly welcomes our decision. I shall take on board his point about the work force of Unipart. I believe that our decision on the privatisation of Unipart will be widely welcomed.

Mr. David Steel (Tweeddale, Ettrick and Lauderdale): Will the Secretary of State answer the question that I put to the Prime Minister earlier? Why is the Land Rover division not being treated separately, for example, as a management-employee buyout? Will he confirm that it is profitable, that Land Rover has been a symbol of British engineering round the globe for almost 40 years and that it is of crucial importance to our armed forces? If it is not treated separately, the suspicion will remain that it has been put in as a succulent carrot along with the truck and bus division at the same time as an announcement that production of the American jeep is ceasing? Will he justify that?

On the matter of the Leyland truck and bus divisions, why are the Government not giving a similar commitment to open negotiation and public discussion, which the right hon. Gentleman pointed out would have happened if the Ford deal had been going ahead?

Turning to the Austin Rover Group, will he confirm that the British Leyland board will be left to get on with the management of that company? Given the successful turn-round, will he confirm that no public money has been put into the company in the past three years and that it now has a successful range of vehicles, which are competing well, not only on the domestic market, but in the European market? Does he agree with the right hon. and learned Member for Monklands, East (Mr. Smith) that in this episode there is one cause for rejoicing, which is the fact that the House of Commons has been able to change the Government's mind?

Mr. Channon: It is very nice to welcome the right hon. Gentleman to these discussions. On public expenditure, as the House has been informed on many occasions, guarantees under the Varley-Marshall assurances of up to £1.5 billion are available to BL, which is a factor that the House would do well to bear in mind. I am convinced that the proposals regarding Land Rover are in the best interests of the company. That is also the view of the British Leyland board. I would not put forward the proposals to the House if I was not convinced that they were in the best interests of Land Rover, including the opportunities that will arise from increased distribution in the United States. I hope that the talks will go well. Obviously, I shall keep the House in touch with the progress of the negotiations.

Mr. Roger King (Birmingham, Northfield): Does my right hon. Friend accept the grateful thanks of many workers in the west Midlands and Birmingham that the cloud of doubt over the future of Austin Rover has now been lifted? Does he accept that the work force and the management will work and continue to work with new models designs and with productivity plans to produce, in collaboration with other manufacturers, the type of products that will lead the company into renewed prosperity in the knowledge that the Government have been able to give a helping hand?

Mr. Channon: Yes. I hope that my hon. Friend will join me in encouraging British Leyland to make progress along those lines, so that it increases its share of the market and makes increasing efforts to produce profitable results. In that way we can ensure a secure future for Austin Rover without it being a drain on the taxpayer.

Mr. Andrew Faulds (Warley, East): Would the right hon. Gentleman care to comment on the report I have had that a deal has already been agreed between Bedford Motors, part of General Motors, and Leyland and that it was probably signed on 27 January, but could not be announced that day because that was the day that the Westland fib fabrication exercise was at its height?

Mr. Channon: That is a strange allegation. I have known the hon. Member for Warley, East (Mr. Faulds) for a long time and occasionally we hear those remarks. As I have already told the House, talks are at an advanced stage on the proposal for a merger between Land Rover-Leyland and Bedford Commercial Vehicles. No decisions have been taken. I assure the House that that is the exact position.

Mr. Kenneth Warren (Hastings and Rye): I welcome my right hon. Friend's decision to stop the Austin Rover talks. Will he use the opportunity to discuss with the owners of motor vehicle assembly plants how to get more British content into their vehicles and will he draw into the discussions the motor components buyers, whose future rests on the success of the assemblers?

Mr. Channon: My hon. Friend makes a good point and I am grateful for his support. He will remember that my predecessor announced an improvement in content in December. The figures that I gave to the House yesterday about Ford are extremely impressive.

Mr. Terry Davis (Birmingham, Hodge Hill): In view of the links between Austin Rover and Freight Rover, will the Secretary of State reconsider his insistence on including Freight Rover on the menu being offered to General Motors? Alternatively, will he insist on an undertaking that the manufacture of Sherpa vans and the jobs that go with it remain at Washwood Heath?

Mr. Channon: I will not consider taking out Freight Rover. It is part of the discussions that are taking place. I have already explained to the House the sort of assurances that I shall be seeking and I have nothing to add.

Mr. John Mark Taylor (Solihull): Does my right hon. Friend accept that, on behalf of the 8,000 Land Rover employees who work in my constituency, I shall be looking to him and hope that he will look to General Motors if this deal goes through, for guarantees on British identity, British content, flagship status for the Land Rover plant at Lode Lane at Solihull, research and development in Solihull and increased commitments to exports, not least to America?

Mr. Channon: I understand and share my hon. Friend's views about all those matters. I assure him that the proposal is good news for his constituents, good news for the future of the company and good news for Land Rover.

Mr. George Park (Coventry, North-East): Although I welcome the news that the talks between Ford and Austin Rover have been abandoned, can we be assured that they

will not be resurrected with another company? Will the Government do two things to assist Austin Rover? Will they take positive steps to improve the miserable Spanish export quota allocated to Austin Rover, and will they finally do something about the differential tariffs which give great advantages to firms such as General Motors, but work against the best interests of Austin Rover in trying to export to Spain?

Mr. Channon: The hon. Gentleman is right to draw attention to the extremely unsatisfactory Spanish tariff system. We inherited the position from negotiations long ago. As a result of fresh negotiations before Spain's accession to the Common Market, those differences in tariff will be reduced over a period. At the same time, our reduced duty quota will be increased. Now that Spain has acceded to the European Community, the end of that ridiculous system is in sight.

Mr. Michael Grylls (Surrey, North-West): Does my right hon. Friend accept that, as usual, the attitude of the Opposition is hypocritical? They know perfectly well that thousands of British workers have good and secure jobs with Vauxhall and Ford, and that many American workers have good jobs with British firms in the United States. Is not investment international? Would it not be in the interest of the trucks part of British Leyland, and Land Rover in the long term, to be part of a big group with worldwide marketing facilities, and would it not increase jobs in Britain?

Mr. Channon: I agree with my hon. Friend. As I tried to point out yesterday, Ford in the United Kingdom employs about 50,000 people, supports more than 100,000 other workers through its dealers and suppliers and spends nearly £750 million a year on product development in Europe, about half of it in the United Kingdom. Any Opposition Member who attacks that does a grave disservice to Britain and to the constituents of many hon. Members.

Mr. Tam Dalyell (Linlithgow): As a former parliamentary private secretary to Rab Butler, does the Secretary of State recollect that it was the Government in which he served who required the then British Motor Corporation to come to Bathgate? It grew into the greatest concentration of machine tools under one roof in Europe. In those talks, what obligation do the Government believe they have towards Bathgate?

Mr. Channon: The hon. Gentleman knows the present position at Bathgate, which is unchanged by my announcement. If we are going back into the history of British Leyland, I should say that the Labour party has a lot to answer for.

Mr. Robert Atkins (South Ribble): Does my right hon. Friend recognise that the uncertainty that surrounds the future of the Leyland truck and bus divisions is still very much evident? Does he also agree that the possible purchase of Leyland Bus by Laird is not mentioned in his statement? Will he comment on that and say whether another offer is in prospect for that, too? Will he also comment upon the position of Multipart, which is another successful aspect of the Leyland group? As a matter of urgency, will he answer the questions raised by me and my hon. Friend the Member for Bromsgrove (Mr. Miller) in

[Mr. Robert Atkins]

the debate yesterday, so that I can alleviate the anxiety of people in my constituency which, after all, includes the town of Leyland where this great company was born?

Mr. Channon: I shall study carefully what my hon. Friend said yesterday and write to him about the points that I have not already covered. As to the trucks division, the merger proposals are at an advanced stage, and I hope that it will not be long before I can inform the House of the arrangements. As he said, talks are continuing with Laird. My statement today does not relate to Leyland Bus, but I shall keep my hon. Friend closely in touch with progress.

Mr. Allan Roberts (Bootle): Is the Minister aware that the British public would have expected him to have the good grace to thank the Official Opposition who, with a little help from the right hon. Member for Old Bexley and Sidcup (Mr. Heath), saved Austin Rover from an American takeover? Although we have been watching the disintegration of the Government before our eyes, the British public did not expect that the Opposition would achieve so much power in such a short time. But why are the Government still considering the privatisation of Unipart? Have the Conservative party in Government completely lost their patriotism?

Mr. Channon: Unipart will go to British sources, so I do not know what the hon. Gentleman is talking about. I have never heard such rot in my life. We are proposing the privatisation of Unipart, and I believe that the Government's privatisation programme has wide support inside and outside the House.

Mr. Hal Miller (Bromsgrove): Will my right hon. Friend accept congratulations on having the good sense and courage to put an early end to the uncertainty, greatly aggravated by the attempts by the Opposition to make political capital out of the matter? Will he not be deterred by the damaging leak from ensuring that further discussions on collaboration with Austin Rover are pursued and that alternative sources of financing are examined?

Mr. Channon: I thank my hon. Friend for his remarks, and I greatly welcomed his constructive speech yesterday. It is right to end the uncertainty that existed, because that is in the interests of the companies concerned. As he said, the Opposition are clearly not interested in the issues—only in trying to stir up trouble.

Mr. Nigel Spearing (Newham, South): Is it not terrible that Britain imports railway locomotives from the United States while closing long-established engineering works, such as those at Swindon? Is this with the permission of the Minister—

Mr. Speaker: Order. The hon. Gentleman is going rather wide of the subject of the statement.

Mr. Spearing: Does the Minister agree with that import, and can he tell us whether that deal has anything to do with—

Mr. Speaker: Order. The hon. Gentleman cannot pursue that line. It is a completely different matter.

Mr. Spearing: On a point of order, Mr. Speaker. May I conclude my question?

Mr. Speaker: I do not think it will help, because I do not think the Minister can answer it. This statement deals with British Leyland. If the hon. Gentleman can relate his question to British Leyland, he may continue.

Mr. Spearing: I was about to conclude the question, which the Minister could answer and which is directly connected to the statement. I was about to ask the Minister whether that deal has anything to do with the one between British Leyland and General Motors.

Mr. Channon: The hon. Gentleman asks about something completely different from the subject of my statement. I shall be in touch with him, but my statement has nothing to do with what he asks.

Mr. Edward Heath (Old Bexley and Sidcup): May I thank my right hon. Friend for the decision he has announced this afternoon, and may I assure him that the decision reached by the Cabinet about Austin Rover and Ford is absolutely right? However, I must tell him that he has done nothing to alleviate the very real fears and anxieties expressed by Conservative Members yesterday about General Motors taking over the remainder of British Leyland. My right hon. Friend referred to a "merger". Is it not accurate to say that what is proposed is a complete takeover by General Motors of British Leyland and that control would leave Britain and go to Detroit? That is what many of us strongly oppose, and we shall maintain our opposition.

Mr. Channon: I am grateful to my right hon. Friend for the first part of his question, but he will not expect me to agree with what he said in the latter part. I have already explained to the House the exact details of what is proposed between General Motors and the Land Rover-Leyland group, and, in due course, I shall inform the House of the exact arrangements, if and when the companies produce arrangements that are satisfactory to the Government.

I assure my right hon. Friend that if I was not convinced that the proposals are in the interests of Land Rover and the other parts of British Leyland about which we are talking, I would not put them before the House. I am convinced that such a merger would, if the assurances are satisfactory, lead to substantial benefits to both companies.

Mr. Dave Nellist (Coventry, South-East): Do not the S-bends during the past 96 hours show that the Cabinet is looking increasingly like a headless chicken running around in its death throes?

In persisting in the statement promoting a multinational takeover of British Leyland Truck and Buses by General Motors, is the right hon. Gentleman continuing to tell the House that there is 40 per cent. overcapacity in that sector of the vehicle market? If so, has he tried to convince Oxfam and other aid agencies of that 40 per cent. overcapacity? Is he not aware that they cannot get trucks for Ethiopia and the Sudan to shift food for the millions of starving people?

Mr. Channon: I am saying that there is substantial overcapacity. I explained that to the House yesterday. I also explained the reasons that led me to believe that if a merger on acceptable terms could be arranged, that would be in the interests of all concerned.

Sir Kenneth Lewis (Stamford and Spalding): While congratulating my right hon. Friend on his speedy

footwork, may I ask what difference there will be to the amount of contribution that the Government are making now, and will have to make in the future, to British Leyland if the General Motors' proposals come to fruition?

Mr. Channon: It is clear that the sections of British Leyland that will be involved in any merger between Bedford Commercial Vehicles and General Motors—if satisfactory terms are arranged—are those parts currently making a substantial loss, which is something the House should recognise.

Mr. Ian Wrigglesworth (Stockton, South): How can the Secretary of State justify the sale of Land Rover to General Motors? Do not the BL interim results show that last year Land Rover made a profit of £5.7 million and had record sales? Is he not aware that the sale of Land Rover will cause widespread dismay, not only among the work force but among all customers of Land Rover throughout the world? Having decided not to go ahead with the discussions with Ford, will the right hon. Gentleman consider the implications for the collaboration with Honda? Does it not place a great cloud over future collaboration? What is to be the future of the arrangement with Honda?

Mr. Channon: As I said in my statement, I hope that collaboration with Honda will continue. Austin Rover's collaboration with Honda has been very successful, and I see no reason why that should change. I very much hope that it does not.

There are substantial advantages for Land Rover in any deal that may be agreed—and that is the view of the BL board, not just my view. The opportunities for Land Rover in the United States, taking advantage of General Motors' distribution network, could lead to greater sales of Land Rover in the United States and other markets and to substantial opportunities for Land Rover's work force and management. If those assurances I have mentioned can be obtained, it will be a very good deal.

Several Hon. Members rose—

Mr. Speaker: Order. I shall call the three hon. Members on the Government Benches who have been rising. I hope that they will be brief.

Mr. Patrick Cormack (Staffordshire, South): Is my right hon. Friend aware that any objective observer will regard the way in which he has listened to and informed the House as both exemplary and impeccable? However, will he bear in mind that there is still widespread disquiet about the future, especially of the Land Rover-Range Rover group? Will he consider carefully what has been said on that subject from the Conservative Benches?

Mr. Channon: Naturally, I will consider anything that is said from any quarter of the House. I must repeat my belief that I have expressed on a number of occasions to the House that this is the best opportunity for Land Rover. I am exceedingly grateful to my hon. Friend for what he said in the early part of his question.

Mr. Bowen Wells (Hertford and Stortford): Will my right hon. Friend accept my heartiest congratulations on

the wisdom of his statement today? Has he now abandoned all attempts to try to find other sources of finance for the Austin Rover group? It will require additional resources if it is to increase employment, production and its market penetration both in Europe and in the United States. I hope that my right hon. Friend has not abandoned that pursuit.

Mr. Channon: I am grateful to my hon. Friend. Austin Rover's forward plans do not require further Government equity finance. Its financial requirements will be considered in the usual way, in the context of its corporate plans.

Mr. Tony Baldry (Banbury): Does my right hon. friend appreciate that the people of Oxfordshire welcome the long-term guarantee of Austin Rover at Cowley making cars that people both here and abroad want to buy, thanks to ever more competitive design marketing and delivery, while at the same time, not being dependent on the Government always being prepared to write cheques on the taxpayers' account?

Mr. Channon: My hon. Friend is entirely right about that. We must try to get Austin Rover's share of the European car market higher than it is at present.

Mr. John Smith: The Secretary of State appears to be satisfied that he can find what he calls suitable assurances. Can he give the House an assurance that he will not sanction any arrangements that mean the effective takeover of Leyland Vehicles by General Motors so that the power to take decisions passes from Britain to Detroit?

Will the right hon. Gentleman explain to the House what he meant by the political history of this matter when he attempted to criticise the Labour party? Does he not recollect that when British Leyland collapsed as a private sector operation in 1975, it was rescued by the Labour Government against the wishes of the then Conservative Opposition, many of whom are sitting in front of me?

Mr. Channon: I cannot give the right hon. and learned Gentleman the undertaking that he seeks. As he well knows from my statement on Monday, I outlined to the House precisely the full undertakings that I would require. On the second part of the right hon. and learned Gentleman's question, I think that the least said about the history of the matter by the Opposition, the better.

Mr. Nellist: On a point of order, Mr. Speaker. Will you take a few moments later this afternoon to consider the fact that the Secretary of State's statement was made available to the press well before 3 o'clock, yet shortly before 4 o'clock his Private Office denied that the draft of the statement had been finalised? It was not until almost 5 o'clock that the right hon. Gentleman gave his statement to Members of Parliament. Is this Secretary of State carrying on where the last one left off?

Mr. Speaker: That is not a matter for me. If the hon. Gentleman is saying that the statement given to the press was leaked before the House heard it, that is a different matter. However, I do not think that the hon. Gentleman was alleging that.

Royal Navy

Motion made, and Question proposed, That this House do now adjourn.—[Mr. Archie Hamilton.]

Mr. Speaker: As the House knows, we have a rather late start to the debate. A considerable number of right hon. and hon. Members have indicated their wish to take part. I hope that, in view of the time element, they will keep their contributions brief.

5.27 pm

The Minister of State for the Armed Forces (Mr. John Stanley): This last year has been a busy and effective period for the Royal Navy. Within the NATO area, the Navy has taken part in a series of important national and NATO exercises in the eastern Atlantic, the Norwegian sea, the Baltic, the North sea, the Channel and the Mediterranean. Out of area, the Navy has maintained a constant presence in the south Atlantic, the Caribbean and in the vicinity of the Gulf.

Since our last debate on the Royal Navy, Royal Navy ships have visited a total of 83 countries, including the first visit to a Warsaw pact country, Romania, since 1979. The Navy has made a significant contribution to the surveillance of Warsaw pact shipping worldwide, and has ensured the round-the-clock viability of Britain's strategic deterrent.

Since the last Navy debate, the Navy has also taken delivery of 13 new ships and 22 aircraft, and orders for further ships and equipment for the Navy have been placed to a total value of more than £3 billion.

Mr. Martin J. O'Neill (Clackmannan): How many ships has the Minister ordered?

Mr. Stanley: I shall come to that point later.

Other navies have been busy too—busy in operations and busy in construction. In July last year we saw the largest ever exercise by the Soviet northern fleet, designed apparently as a demonstration of how it might attempt to thwart NATO's reinforcement of Norway and establish Soviet sea control, not merely in the north Norwegian sea and the Barents, but in the south Norwegian sea and the north Atlantic. It was an impressive exercise, although the House will wish to know that the Royal Navy remains confident that, in conjunction with its NATO allies, it could establish sea control in areas of the north Atlantic and Norwegian sea, when so required.

The Russians currently have the largest submarine fleet in the world, with nearly 400 submarines now in service, including 63 nuclear ballistic missile submarines. At least six different classes of submarine are under construction, and a new submarine is continuing to be launched on average once every 35 to 40 days. The Soviet Union has an increasingly formidable fleet of surface warships that includes 320 ships of frigate size and above, and it has just launched the first of a new generation of aircraft carrier of a displacement approximately half as much again as the Kiev class.

The Russians are steadily improving their amphibious shipping. They have the largest stocks of mines in the world. They have one of the largest merchant fleets, the largest oceanographic fleet and the largest fishing fleet. Ships of all these fleets are regularly employed in naval and intelligence collection tasks in addition to their non-military roles. They also have a strong, and, still growing,

naval aviation arm, with aircraft such as the Backfire with a significant conventional and nuclear stand-off capability against surface ships.

Admiral of the Fleet of the Soviet Union Sergey Gorshkov can put his feet up on the mantelpiece, well content with his service to his country. There is no reason to expect any slowing down in the pace of the Soviet naval programme under his successor Admiral of the Fleet Chernavin. Admiral Chernavin is a submariner. For the foreseeable future, the Soviet navy will constitute a major, and growing, challenge to the NATO countries.

I stress that the challenge is to the NATO countries as a whole, and it is NATO's collective response to the Warsaw pact's naval threat—not just Britain's—that is all-important. Fortunately, the NATO countries taken together are still way ahead of the Warsaw pact in the strength of their surface fleet, particularly in sea-borne tactical air power. We also continue to have significant advantages in other sectors such as the submarine detection technologies, replenishment at sea, and in the calibre of our seamen.

Many of these NATO maritime advantages are represented by the United States navy and that makes the commitment of the Labour party to send the main element of the USN in this country packing, all the more reprehensible and irresponsible. We should be doing all that we can to strengthen the USN's presence in Europe, and not weakening it.

I move on to the Royal Navy's contribution to our defences both in the NATO area and outside. Later on, I shall come to the naval programme.

Of the European members of NATO, the Royal Navy provides the biggest single contribution to NATO's surface fleet. Of the naval assets committed to NATO, the Royal Navy provides the only European ballistic missile firing submarines, the only European nuclear powered hunter-killer submarines, and the only European aircraft carriers and amphibious ships. In defence, it is certainly always possible to argue that we should do more, but I do not think that anyone can reasonably suggest that we are not shouldering our fair share of NATO's maritime defence.

I shall mention two other operational commitments inside the NATO area with which the Royal Navy is continuously involved. The first is fishery protection, provided by the fishery protection squadron, based on Rosyth. Following a recent internal review of our fishery protection arrangements, the Government have concluded that the Royal Navy should continue its fishery protection responsibilities.

Over the years the squadron has developed a great deal of expertise in the surveillance of fishing vessels, in boarding them at sea, and in the abstruse but all-important subject of United Kingdom and EEC regulations governing the protection of a wide range of fish.

In addition to its primary fishery protection role, the squadron also provides valuable back-up to the civil authorities for search and rescue operations, for the protection of our offshore oil and gas platforms and for possible use in support of the Customs and Excise, for instance against drugs traffickers. The work of the Royal Navy's fishery protection squadron is often, I am afraid, largely unsung, but it does a very important job in small ships, often in thoroughly unpleasant sea conditions, and it does it extremely well.

concession—I ask him to consider whether some kind of concession could be made—I shall have to test the opinion of the House.

5.1 p.m.

On Question, Whether the said amendment (No. 1) shall be agreed to?

Their Lordships divided: Contents, 83; Not-Contents, 118.

DIVISION NO 1

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Resolved in the negative, and amendment disagreed to accordingly.

British Leyland

5.11 p.m.

The Parliamentary Under-Secretary of State, Department of Trade and Industry (Lord Lucas of Chilworth): My Lords, with the leave of the House, I will now repeat a Statement made by my right honourable friend the Secretary of State for Trade and Industry in another place on the subject of British Leyland. That Statement is as follows:

"Yesterday I informed the House that talks were at an advanced stage on the proposal for a merger between Land Rover Leyland and the Bedford Commercial Vehicle subsidiary of General Motors. It is the Government's intention that subject to satisfactory terms and conditions, and the receipt of firm undertakings from General Motors on their manufacturing and sourcing intentions, these negotiations should be brought to an early and successful conclusion.

"I also confirmed that following an approach by the Ford Motor Company, wide ranging but at this stage exploratory discussions with the Austin Rover Group were in progress which might lead to a proposal for the merging of these businesses. I wish to inform the House at the earliest opportunity on the most recent developments affecting these discussions in particular as regards Austin Rover.

[LORD LUCAS OF CHILWORTH.]

"The Government would have preferred to have waited until the exploratory talks had clarified the difficulties and opportunities a merger might have created, and then taken a decision in principle, on the basis of a considered analysis, whether to pursue the possibility further. Speculation surrounding these exploratory talks has itself given rise to very great public concern and uncertainty. If this were to continue for any extended period it could have seriously damaged to the prospects for Austin Rover's business, its employees, its suppliers and its dealers. Nor would such a period of uncertainty have been helpful to many people associated in comparable ways with Ford's business in this country. Concern about these developments was expressed very clearly on all sides of the House in yesterday's debate. The Government have given full and immediate consideration to the situation so created. We have decided that it would be wrong for the uncertainty to continue, and the right way to end it is to make clear that the possibility of the sale of Austin Rover to Ford will not be pursued.

"It is, however, the Government's intention, with the agreement of the BL board, that negotiations should be pursued for the separate privatisation of Unipart by an early placement of shares with United Kingdom institutions.

"Collaborative arrangements in the motor industry will become increasingly necessary and important. Austin Rover Group's successful relationship with Honda is an example of this. I hope that Ford and Austin Rover will also consider positively other opportunities for collaboration. I should like to pay tribute to Ford's contribution to the United Kingdom economy through research and development, manufacturing and employment.

"I hope the Government's decision and the ending of uncertainty will leave Austin Rover free to devote their efforts to the further development and growth of their volume car business, building on the creditable progress which has already been achieved."

My Lords, that concludes the Statement.

Lord Bruce of Donington: My Lords, we on this side of the House are grateful to the noble Lord for repeating that Statement. It would seem that there are certain marginal advantages in the return to Cabinet Government, because the decision not to continue with the Ford negotiations was expressly repudiated by the Government only yesterday. This is what the Government said yesterday:

"The question that we must address is: can or should BL continue as it is, whether in public or private ownership? I believe that it cannot do so. Even if it could, it should not, because in today's world standing still means dropping backwards."

Concluding his speech in winding up, the Minister said:

"At this stage, we should negotiate as best we can."—[*Official Report, Commons, 5/2/86; cols. 345-47.*]

Now today we have in the Statement:

"I hope my decision and the ending of uncertainty will leave Austin Rover free to devote their efforts to the further development and growth of their volume car business, building on the creditable progress which has already been achieved."

It is amazing what public opinion, and opinion even within the ranks of the party opposite, can do. It is good to see that the first time there was Cabinet discussion on the subject a different decision was reached to that reached by the Department of Trade and Industry.

However, having now decided the principle that Government go to on to say that they are continuing, and advising the company to continue, its proposals in regard to the merger that was the subject of the noble Lord's Statement on Monday last. We should have thought, applying the principle that we should develop British industry and that we should stick up for Britain, that the first part of the deal would also be annulled. It is quite clear that the Government have considered, not having discussed it in Cabinet—and we have it on record in the other place—and have decided, presumably at today's Cabinet meeting or one held last night, that they cannot at this stage back out of the General Motors deal. This is clearly something on which we shall have further debate. There must be a debate in this House in which this whole matter can be ventilated.

The Statement makes no mention at any point about the negotiations in regard to the buses. The noble Lord referred to it himself in his Statement on Monday last. He said:

"Separate discussions are taking place with the Laird Group, who own Metro Cammell Weyman, about the future of Leyland Bus."—[*Official Report, 3/2/86; col. 906.*]

To turn to today's Statement, Leyland Bus is still in limbo. We shall be glad to hear any further information the noble Lord has about that because it has not been mentioned.

The noble Lord referred in both Statements—there was a Statement in another place and in the debate there yesterday—to a merger affecting these other interests, including Land Rover. Does the noble Lord mean "merger" or does he mean "take-over"? Which? If there is a merger on, that implies a degree of shared capital risk. Are we sure that the Government wish to continue with a shared capital risk in something which, according to their speeches, they are quite prepared to flog off to United States' interests?

Will the noble Lord enlarge further on this and will he state categorically whether, in the light of previous undertakings that have been given by General Motors in regard to the maintenance of the British components, the Cabinet consider that it is likely to maintain the British component in the latest deal with which the noble Lord has made us acquainted?

Viscount Chandos: My Lords, on behalf of the Alliance Benches, I also should like to thank the noble Lord, Lord Lucas of Chilworth, for repeating the Statement on the future of British Leyland and its key subsidiaries. I think that these Benches greet the Statement with a mixture of relief, continuing apprehension and absolute stupefaction.

I am surprised that the Statement omits to reveal that the Government will be offering a new testing ground for British Leyland on the Road to Damascus. There is stupefaction that the Government have allowed the preliminary discussions proposed by the Ford Motor Company to be pursued and yet, as soon

as this sad and unworthy secret became known, they can declare that the uncertainties that were created justified breaking off the negotiations. British Leyland is still a public company quoted on the London Stock Exchange and sooner or later the deal that the tiny circle of Government Ministers was prepared to consider would have had to have been circulated in detail to shareholders, employees and the general public, as indeed the Statement acknowledged.

Many public companies which propose mergers or takeovers, or are subject to takeover bids themselves, become affected by uncertainty: for the employees, the shareholders, the trading partners and customers. But where they believe that there are genuine commercial grounds for a link, they willingly tolerate the inevitable uncertainty and speculation in order to achieve their aims. In the case of the proposed acquisition or merger of Austin Rover with the Ford Motor Company, the hasty, undignified but still welcome retreat by the Government shows that a more balanced and less prejudiced assessment of Austin Rover's progress and prospects, and a more careful preliminary analysis of the effects of a sale to Ford, would have avoided the management of Austin Rover being forced into precipitate and commercially damaging negotiations.

The competence of this Government in exercising stewardship over nationalised industries, which in his book Sir Michael Edwardes compared unfavourably even with that of the last Labour Government—or should I say the incompetence of this Government?—is the best but possibly the only advertisement for continued privatisation. I suspect that the blushes of the Secretary of State for Trade and Industry are only spared by his ability to attribute this tragi-comic *pas de deux* to another misjudgment on the part of his predecessor.

As I said, the stupefaction is mixed with relief that the Government have at least pulled back from their ill-considered attempt to abdicate from responsibility for Austin Rover, but also with apprehension that the future of Land Rover Leyland is in the melting pot. There is universal recognition that Leyland trucks technology, products and facilities are now superior to those of Bedford, while Land Rover is a company coveted by companies and investors throughout the world. If this deal really makes sense, can the noble Lord assure the House that every effort has been made and will continue to be made to achieve a genuine merger of Land Rover Leyland with Bedford, as the noble Lord, Lord Bruce of Donington, also advocated, and not a sale of the company to General Motors, whatever conditions are attached?

In a genuine merger British Leyland could retain a stake—a substantial one—and the employees could acquire a stake, and still General Motors, as a joint venture shareholder, could provide its international marketing network. Can the noble Lord, Lord Lucas, assure us that this approach, which any competent, commercial management would have pursued, has not been ignored in the Government's rush to pass one more buck for a few more quick ones.

Finally, can the noble Lord also assure us that in the future in its actions, its propaganda, its policies and its leaks, the Government will actually assist Austin Rover-BL and its constituent parts to achieve the aims

of developing their business to which this Statement I hope sincerely referred.

Lord Lucas of Chilworth: My Lords, I acknowledge the receipt of this Statement by the noble Lord, Lord Bruce of Donington, and the noble Viscount, Lord Chandos. I think that there is very little to which I have to respond and perhaps I shall do it best by saying that the Government have responded quickly to both public and parliamentary opinion as expressed yesterday—as properly they should—and have come to the Houses of Parliament with the conclusion of that decision. I am surprised that there should be any criticism of the Government on that score.

The noble Lord, Lord Bruce of Donington, asked specifically about the position of the buses. I have nothing more to add to the statement and comments that I made on the 3rd February when I repeated a Statement made in another place that negotiations with the Laird group for the bus arm of Leyland were proceeding. That position remains the same three days later.

As regards the General Motors truck division and the Leyland truck and Land Rover arm of British Leyland, noble Lords will appreciate from Monday's Statement that this is quite a different matter from Austin Rover group and Ford. I said on Monday that negotiations were in an advanced stage. If I may just repeat this afternoon's Statement, it is the Government's intention that, subject to satisfactory terms and conditions, and the receipt of firm undertakings from General Motors on their manufacturing and sourcing intentions, these negotiations should be brought to an early and successful conclusion. That remains the position.

Other than that, I would remind your Lordships that for some many years now General Motors truck subsidiary, Bedford, has had its European headquarters, its European research and development arrangements and its manufacturing arrangements centred in the United Kingdom. General Motors have put in £1.2 billion worth of investment over the past 10 years; it employs 27,000 people; local content for 1986 will be 60 per cent. on its car and truck operations, and it is on target to meet the commitment which was made last year. I do not believe that one should criticise General Motors for being anything less than supportive of the United Kingdom's manufacturing industry. I say the same of Ford, whose interest in investment, employment and development in their area of industry is second to none in so far as support for the United Kingdom is concerned.

We are disappointed—the Statement says so—that the discussions between Ford and ARG were not allowed to proceed so that a calm and careful analysis could be made of any proposals. As regards assisting BL, the Government remain committed to British Leyland, the Austin Rover group, in securing all the opportunities for that group to prosper and to achieve their fair share of the domestic and overseas market. One would look for the board of Austin Rover group to continue with their collaborative arrangements and perhaps make others, such as with Honda, Peugeot, or VW-Audi, in a variety of ways, and that is how they would probably be able to succeed.

5.30 p.m.

The Lord Bishop of Birmingham: My Lords, I shall be brief. I thank the noble Lord for the Statement that he made. As he said, it will do a great deal to alleviate the deep anxiety and distress in my city of Birmingham about the future for employment. I wonder whether he can say something about the consultation that will be taking place with the workforce before further arrangements are made, because of the consternation that will be caused among the workers on hearing that arrangements are being made, as it were, over their heads.

What I want to ask the noble Lord most of all is this. In the arrangement that he spoke about concerning Land Rover, Unipart and Leyland Trucks, the West Midlands is likely to be affected as a centre of component making. That is an important part of the industry. We have to consider not just the assembly of the cars and the trucks but the components and the service industries that depend upon them. I think that the people of my dioceses will ask themselves what effect the arrangements for these other parts of BL will have on employment. In my diocese I have one ward with an unemployment rate of over 41 per cent.; in another it is over 35 per cent. There will be deep anxiety that the arrangements may cause more unemployment. Anything that he can say to give people confidence will be greatly welcomed.

Lord Lucas of Chilworth: My Lords, I am most grateful to the right reverend Prelate for his contribution and indeed for his questions. As I explained on Monday, and I thought this afternoon, the Leyland Trucks, Land Rover and General Motors negotiations are at an advanced stage. I think that the House will agree that it would be wrong of me to pre-empt the result. However, we believe that an arrangement between two of the largest truck makers in the United Kingdom would be in the best long-term interests of the people employed in the truck industry. Across Europe that industry is in decline and there is massive over-capacity. To join the activities of those two important companies would be in the best interests of the industry. It would make it better able to compete in the European and the world markets to the long-term advantage of those employed in that sector.

Lord Bruce-Gardyne: My Lords, can my noble friend tell us what is Austin Rover's current share of the United Kingdom market in its respective class? Can he also tell us whether it is now the intention of Her Majesty's Government to put the £1.5 billion guarantees to British Leyland into the category of public expenditure, since it must be likely as a consequence of today's Statement that that guarantee could be called?

Lord Lucas of Chilworth: My Lords, speaking from a fairly reliable memory, I can tell my noble friend that the Austin Rover group has 18 per cent. of the United Kingdom domestic car market and a rather small share of the European market; but one hopes that it is expanding. If my memory serves me right, it has 19 per cent. of the truck market in the United Kingdom. The Government stands behind the so-called Varley-Marshall arrangements.

Lord Bruce of Donington: My Lords, may I press the noble Lord a little further? I asked him whether he would confirm that the arrangements, which he says are at an advanced stage, so he ought to know the form, are strictly merger or take-over? Exactly the same considerations apply to his statement about the Cammell group. He referred to separate discussions taking place with the Laird group about the future of Leyland Buses. Are those discussions with a view to merger or take-over? Surely he knows which term applies, even at this stage.

Lord Lucas of Chilworth: My Lords, I am not in a position either to agree with the noble Lord or disagree. I have said that the Leyland-General Motors negotiations are in an advanced stage, but the detailed arrangements as to how they may be completed and put together have not been arrived at. The Laird group discussions are not at such an advanced stage. I should certainly not wish in either case to prejudice the negotiators, particularly those of British Leyland, in suggesting in any way from this Dispatch Box how they should proceed or what should be the outcome.

Lord Thorneycroft: My Lords, is my noble friend aware that far from being criticised, his Secretary of State is to be commended, after only a few days in office and one debate, on having responded to some of the views expressed to him? It would indeed be a sorry day for Parliament if Ministers were to be bitterly criticised every time that they respond to arguments put forward in this House or in another place.

Will my noble friend continue to bear in mind that the danger to jobs in the motor vehicle industry is just as great or greater if we do nothing whatsoever than if we move out and try to expand and enlarge the size of the operating units? Will he press upon the noble Lord, Lord Bruce, that the simplistic and intensely nationalist view that he had been putting forward from that Bench, and indeed the fears of the right reverend Prelate, should not be allowed to weigh too much with us, for if we took that simplistic and nationalist view not only in the motor industry but in many others the damage to jobs in this country would be incredibly large?

Lord Lucas of Chilworth: My Lords, I am most grateful to my noble friend for his questions. I am sure that your Lordships will share my admiration for his great knowledge not only of parliamentary affairs but of business and commerce. It is in the light of that experience that he asks such apposite questions. There is a great danger to jobs if we fail to recognise the importance of investment, both internal and from overseas, in our industries. The investment comes not only with money but with technical expertise and a whole range of other advantages to our industry.

The noble Lord, Lord Bruce, quoted fairly extensively from what my right honourable and honourable friends from the Department of Trade and Industry said in the debate in another place last night. He will remember that it was said that the motor industry is moving at a fast pace across the world; no longer can we build cars plainly for the domestic market, nor indeed for the European market. We need to build for world markets. Collaboration is vital if our

manufacturing base is to be secured and, as I said to the right reverend Prelate, jobs in the industry preserved in the long term.

Lord Hatch of Lusby: My Lords, the noble Lord the Minister said in his original Statement that the negotiations over Austin Rover are to come to an end. Most Members of the House, I believe, welcome that. Can he tell us, though, what has changed since yesterday? Is it not the case, as the noble Lord, Lord Thorneycroft, has suggested, that the Minister has been influenced by the voices from another place—and quite rightly so? But how does it come about that the debate in the other place took place yesterday? What would have happened if there had been no leak about these negotiations? Can he tell this House whether the Government intended to pursue those negotiations, if possible to a conclusion? Can he also tell the House where the leak came from which was the occasion for the debate on which, apparently, the Government, and particularly the Department of Trade and Industry, have completely reversed their policy? What has happened since yesterday, and why?

Lord Lucas of Chilworth: My Lords, really, I am so surprised at the noble Lord, Lord Hatch of Lusby. I made clear in repeating the Statement that the Government would have much preferred to have waited until the exploratory talks had clarified the difficulties and the opportunities that a merger might have created. Then we could have taken a decision in principle and discussed it on the basis of a considered analysis. However, because certain events took place—I have little doubt in an endeavour to embarrass the Government—speculation surrounding those talks rose and gave great uncertainty both to the public and, indeed, to the two companies. This was explored during the debate yesterday in another place. As a result of public expression and as a result of parliamentary expression, my right honourable friend the Secretary of State for Trade and Industry and colleagues decided that no useful purpose to the two companies would be served if a decision was prolonged. I have made that clear in the Statement. As to the question of what would have happened had this matter not been raised on Monday, since the matter was raised and since things did happen I can see no profit in speculation.

Lord Stoddart of Swindon: My Lords, may I ask the noble Lord a quick technical question on the issue of manufacturing and sourcing intentions of GM? The noble Lord mentioned twice in his answers that GM already had 60 per cent. United Kingdom content. Is that what the Government are thinking about? I would remind him that Nissan has given an undertaking of 80 per cent. United Kingdom content. Does United Kingdom content mean United Kingdom content or EC content?

Lord Lucas of Chilworth: My Lords, in fact, I did not say that General Motors had 60 per cent. United Kingdom content or, indeed, local content. What I did say was that we had received assurances that local content of GM's products across the range would reach 60 per cent. in 1986. On Monday, I said in

answer to the noble Lord, Lord Bruce of Donington, who said it was 46 per cent., that it was, in fact, 48 per cent. They are on target to reach the undertakings that they gave. I might remind the House that in the truck area local content is 80 per cent.

Lord Diamond: My Lords, may I press the noble Lord further on an essential matter that he has not found it possible to answer? Is he aware that what the whole House is interested to know is whether the negotiations which are still going on—the details of which he naturally does not want to disclose—are negotiations aimed at securing a take-over or at securing an amalgamation?

Lord Lucas of Chilworth: My Lords, the noble Lord, Lord Diamond, can press me as much as he likes. I have said all I am able, or willing, to say about that matter other than repeating that the negotiations are aimed at securing a viable truck industry in this country and securing the long-term employment prospects of those engaged in it.

Lord Brookes: My Lords, the Minister will, I hope, allow me to express what I wish to say in the form of a statement rather than a question, because my remarks are rather difficult to phrase. I speak from some knowledge of the industry. The upside worth of the proposed deal with General Motors—it is very much upside for GM—can also be upside for this country. We are talking—and the Minister is talking—about trucks, as if Bedford and Leyland were common or similar. They are very different. Bedford produces trucks in the light to medium range and only touches the borders of the heavy range of trucks. Leyland was once, years ago, the great European leader, expressed in its lovely calendars of beautiful ladies—"To Leyland, she's a lady". I hope that the Minister will take care that the lady is not raped in the process of the situation. The great attraction for General Motors—it is not a disadvantage to our own country—is that General Motors badly needs a European base for heavy commercial vehicles. Leyland might well have a better future in such a circumstance than it is likely to have with any other partner.

The other great upside worth for GM in this deal is, of course, the Range Rover and the Land Rover—something which, I believe, is entirely missing from GM's international marketing package. So there are great advantages to General Motors in this situation. All that I pray is that the Government, influencing the use and power of their shareholding will ensure that there is substance, purpose and commitment in the local content—that is, British content so far as conditions permit—imposed as part of this deal. I believe that GM, faced with an attractive target like this, should be very willing to negotiate upon those aspects. The great danger when dealing with a multi-national in the car industry is—

A noble Lord: Speech!

Lord Brookes: My Lords, forgive me. May I ask the Minister to be mindful of the danger that if General Motors were to switch its castings and forgings to plants in Europe which it owns, merely to fill them up,

[LORD BROOKES.]

that would not be fair competition. I am sorry for almost having made a speech, but I believe that it was worth saying.

Lord Lucas of Chilworth: My Lords, of course I recognise my noble friend's great interest in this industry, in which he has played an important part as principal of a component manufacturer. I would not wish this afternoon to comment in detail upon his remarks other than to say that nothing stands still, least of all the motor industry. It would be wrong for me to commit any company into an action several years hence. I repeat, however, that General Motors have demonstrated over many years very good faith in the United Kingdom, particularly in the truck industry. We have no feeling that they would change course from that which they have employed over so many years.

Shops Bill [H.L.]

5.49 p.m.

Consideration of amendments on Report resumed.

Lord Denning moved Amendment No. 2.

After Clause 1, insert the following new clause:

("Local authority supervision of Sunday trading

—(1) The provisions of this section shall be construed in the light of the general proposition that the special character of Sunday ought to be preserved, as far as practicable, as a day of leisure in which a person is not required to pursue his weekday work and is free to do as he chooses.

(2) Sunday trading, that is, the opening of shops for trade or business on Sundays (which has hitherto been precluded or restricted by Part IV of the Shops Act 1950) shall in future be permitted only in the circumstances and to the extent allowed by the local authority.

(3) Every shopkeeper who desires to open his shop for trade or business on Sundays shall apply to the local authority for permission to do so.

(4) In deciding whether to grant or refuse permission, the local authority shall take into account all relevant considerations such as—

- (a) the nature of the shop and the goods to be sold there and the size and situation of it; and
- (b) the effect, in their opinion, which the opening of it on Sunday would have on the shopkeeper, the shop worker, the customers, the passers-by and the residents of the area.

(5) In order to achieve a degree of uniformity over the country the Secretary of State shall issue a Code of Practice for the guidance of local authorities, but such a code shall not be issued unless a draft of it has been laid before and approved by a resolution of each House of Parliament.

(6) Any interested person may appeal within a reasonable time to the Secretary of State against a grant or refusal of permission to open a shop for trade on Sundays, and the Secretary of State may allow or reject the appeal on written representations or on public hearing as he thinks fit.

(7) If any shopkeeper should open his shop for trade or business on a Sunday without the permission of the local authority, he shall not be guilty of a criminal offence, but the local authority may apply to a Circuit Judge for an injunction to restrain him from repeating it; and the judge shall have available to him all the remedies usual for breach of an injunction."

The noble and learned Lord said: My Lords, at Committee stage there was much discussion on several amendments. Useful comments, and objections, were made to some of our amendments. I have tried to take all those into account and to present to your Lordships what I hope will be an acceptable way of preserving

our Sunday. If your Lordships have the amendment before you, you will see that in a rather unusual form of construction we try to state, in the first subsection, the principle that,

"the special character of Sunday ought to be preserved, as far as practicable, as a day of leisure in which a person is not required to pursue his weekday work and is free to do as he chooses".

If that principle is accepted I think it follows, as I will show, that the whole of the rest of the clause should be accepted.

In stating that principle I have gone back to the important departmental committee chaired by Lord Crathorne, a very distinguished Member of this House, and including the Home Secretary, Mr. Chuter Ede. I have taken the words from that committee's report. Let me read them to you:

"We came to the conclusion that the special character of Sunday ought to be preserved as far as practicable as a day of leisure in which a person is not required to pursue his weekday work and is free to do as he chooses".

It goes on:

"The special character of Sunday would be seriously impaired if the majority of shops were open as on weekdays and most shop assistants were required to work on that day. It is however, generally recognised that some goods and services are required on a Sunday".

In 1964 that committee thought that the practical way of doing this was to revise that list of exceptions. As has been said, in the course of experience that schedule of exceptions has been criticised, put to scorn and the like. I am afraid that there is no chance of getting any list of exemptions through your Lordships' House now. However, does that mean that there is no practicable way of securing our Sunday? That is what the Government would put forward.

It is for those reasons that the following clauses are suggested. The next clause permits Sunday trading, but only,

"in the circumstances and to the extent allowed by the local authority".

That has been going on a good deal. But the local authority have had the control hitherto, and there has been some variation. Some have enforced prohibition; others have not.

If I may turn to the Auld Report, it felt that there was a great deal to be said for the local authority being able to have the control. In paragraph 219 the report said:

"In fact, shopping seems to us to be one area where a reasonable case might be made for local discretion. Shopping is primarily a local activity, employing local people, and it would be local residents who would be disturbed by any untoward noise or traffic congestion".

The Act of 1950 and the others have therefore entrusted this matter to the local authorities. They are, after all, democratically representing the people; they represent the tradesmen in the districts. Your Lordships will know how they are formed. After considering that the ground for opposition, set out in the Auld Report at paragraph 226—

"But the major difficulty with a pattern of local variations, and it is one that would apply whatever the method of local determination, would be the lack of consistency inherent in the system, both geographically and over time"—

it goes on to say that policies may vary. One local authority may have a different view from another. A person from one area may go just across the border to find a shop that is open.