

Prime Minister (10)

Reference (96)

DRS
3/3

CONFIDENTIAL
NAMED DISTRIBUTION ONLY

TOTAL COPIES 9
COPY No. (9)

TO:

① PS/Secretary of State

- ② cc PS/Sir Brian Hayes
- ③ Mr Mountfield
- ④ Mr Cochlin
- ⑤ Miss Bowe
- ⑥ Mr Meadway
- ⑦ Mr Brown
- ⑧ Mrs Bell
- ⑨ Masters

FROM:

MALCOLM MCHARDY
PS/Mr Morrison
Rm 711, 1V/S
215 5186

10+ DAVID NORRGROVE
(NO 10)

18 February 1986

NOTE OF A MEETING WITH WEST MIDLAND MPs TO DISCUSS THE PROPOSALS TO RETURN LAND-ROVER LEYLAND TO THE PRIVATE SECTOR ON 17 FEBRUARY 1986

The Minister met Mr Gilroy Bevan, Mr Beaumont-Dark, Sir Reginald Eyre, Mr King and Mr John M Taylor to discuss the current situation on the potential return of the various parts of Land-Rover Leyland to the private sector. Mrs Bell and Mr Blake from Vehicles Division were also present.

Mr Gilroy Bevan accepted the need for a rationalisation of the bus side of Leyland but this was about all. It was agreed however that the Leyland Bus question was a separate one. Mr Gilroy Bevan believes that GM has ulterior motives for obtaining Leyland Trucks. According to him Scammell is developing a new type of truck for the launching of rockets which is attracting considerable interest inside the Pentagon. By buying Leyland Truck, GM is simply doing away with serious competition.

He is also worried about the future of the Freight Rover Division since half the workforce of 1800 comes from his Yardley constituency. He believes that the company has a lot to offer and could easily be sold off either as part of Land-Rover or separately. It has steadily improved its market share over the past few years and could improve even more. The main competitors Bedford Vans and Ford had their own problems. The Bedford operations were losing a lot of money and he had strong doubts whether the new Ford Transit van would take off.

On Land Rover, Mr Gilroy Bevan pointed out that the company had just undertaken a massive rationalisation of its operations. This had affected performance and a sale at this stage would simply mean that the company would go for a bargain basement price. He is also extremely concerned at the defence implications if the company were sold to GM. He pressed very strongly for Land Rover to be kept in British hands.

GM have much better reasons than this. See the Economist article in your box.
DRS
3/3

CONFIDENTIAL
NAMED DISTRIBUTION ONLY

Mr Beaumont-Dark said he was not against the break-up of BL and its return to the private sector although he had some difficulty in understanding why the negotiations had been conducted with GM. Bedford was in a worse state than Leyland Trucks. On Land Rover/Freight Rover he understood that market research in the United States had shown that there were markets for these vehicles. He believes given their recent performances that both these companies are being offered as inducements for GM to buy the Leyland Truck operation.

Roger King is also very worried about Freight Rover. He realises that the company's site is very cramped and that if the deal with GM were to proceed, there is a very real danger that the line would go to Bedford. He also made some play on the fact that if the deal with GM were to go ahead there would be knock on effects throughout the country. There would be 300 dealers with no van range to offer and scores of paint, component and other suppliers who would lose business.

Mr Morrison noted their concerns. It was agreed by the MPs that much of the uncertainty had been caused by the way the disclosure of the discussions between BL and GM had been made. The Minister said that it would have been much better if the companies had been able to finalise their own discussions first and present a total package for consideration.

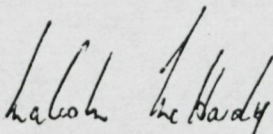
Discussion then turned to the current position on the possible sales. The Minister explained that a number of companies had made informal approaches expressing interest in parts of Land-Rover Leyland although some had asked for their interest to be kept confidential at present. He mentioned that Volvo had now joined Laird as a potential buyer of Leyland Bus and Lonrho was interested in Land Rover. On Leyland Trucks, the Minister explained that it was generally recognised that there was a need for rationalisation. The BL Board's advice had been that the most sensible course to resolve the problem, both for commercial and industrial reasons, was for both companies to merge. On the defence point, the Minister pointed out that a merger would not create any strategic problems.

1WEBFI

CONFIDENTIAL
NAMED DISTRIBUTION ONLY

Mr King went back to the question of Freight Rover, which he felt could certainly be floated by itself. The Minister pointed out that while the company was successful now, it would require at least some £70-£80 million investment over the next few years in order to develop a new product range. If the company was not returned to the private sector, this money would have to be found from public funds. Mr King felt that this was a small amount for a company with such potential, and which aimed to satisfy its customers needs. On Land Rover, there was a strong feeling among the MPs that the Government had misread the situation and that the Government had made a mistake in allowing it to be included in the negotiations. The Minister pointed out the advantages in terms of the financial resources and marketing and distribution that GM could offer. However the MPs were concerned that GM would not meet any undertakings agreed with the Government on components and research and development. Mr Gilroy-Bevan pushed hard for all negotiations with GM to be stopped or at least delayed until other prospective buyers had had a chance to catch up.

Mr Morrison thanked the MPs for making their case so clearly (although in fact the discussions added little to what has gone on before.)



MALCOLM MCHARDY

lWEBFI

Company	Location	Employment	Constituency	MP	Bordering constituencies and MPs		
ARG	Longbridge	15000	Birmingham Northfield	Roger King C	Birmingham	Jill Knight	C
					Edgbaston	Robin Corbett	L
					Erdington	Sir Reginald Eyres	C
					Hall Green	Terry Davis	L
					Hodge Hill	Clare Short	L
					Ladywood	Roger King	C
					Northfield	Jeff Rooker	L
Perry Barr	Anthony Beaumont-Dark	C					
	Cowley	12338	Oxford East	Steven Norris C	Selly Oak	Dennis Howell	L
					Small Heath	Roy Hattersley	L
					Sparkbrook	David G Bevan	C
					Yardley		
					Oxford West	John Patten	C
					Henley?		
					Banbury?		
Witney?							
Wantage?							
	Coventry (HQ)	2207	Coventry South East	David Nellist L	Coventry	George M Park	L
					North East	George Robinson	L
					North West	David Nellist	L
					South East	The Hon Nicholas	
					South West	Seames	C
					<i>JOHN BUTCHER</i>		
	Swindon	3354	Swindon	Simon Coombs C	North Wiltshire?		
					Devizes?		
	Llanelli	2265	Llanelli	Denzil Davies L			
	Radiators and Pressings						
	SU Butec Birmingham	578	Meriden/Erdington	Iain Mills C/ Robert Corbett L	Birmingham constituencies		

Company	Location	Employment	Constituency	MP	Bordering constituencies and MPs		
BL Technology	Gaydon Works	600	Stratford on Avon	Alan Howarth C			
Land Rover	Solihull	8400	Solihull	John Taylor C	Birmingham constituencies		
Freight Rover	Common Lane, Birmingham	1634	Birmingham, Hodge Hill	Terry Davis L	Birmingham constituencies		
Leyland Trucks	Leyland, Lancs	4668	South Ribble	Robert Atkins C	Preston Blackburn Chorley Lancashire West	Stan Thorne Jack Straw Den Dover Kenneth Hind	L L C C
	Albion, Glasgow	1257	Glasgow, Hillhead	Roy Jenkins SDP	Glasgow Garscadden	Donald Dewar	L
	Bathgate, Lothian (Closure due 1986)	1100	Linlithgow	Tam Dalyell L	Livingston	Robin Look	L
	Scammell, Watford	695	Watford	Tristan Garel- Jones C	Hertsmere	Cecil Parkinson	C
Leyland Bus	Farington, Lancs	1793	South Ribble	Robert Atkins C	As for Leyland, Lancs		
	Workington, Cumbria	480	Workington	Dale Campbell Savours L	Copeland	John Cunningham	L
	Lowestoft, Suffolk	490	Waveney	James Prior C	Great Yarmouth South Norfolk	Michael Carttiss John MacGregor	C C
Leyland Parts	Chorley, Lancs	1400	Chorley	Den Dover C	As for Leyland, Lancs		
Unipart	Cowley	1796	Oxford East	Steven Norris C	As for Cowley above (see ARG)		

Company	Location	Employment	Constituency	MP	Bordering Constituencies and MPs			
Bedford	Luton	4600	Luton South	Graham Bright C	Luton North	John Carlisle	C	
					North Herts	Ian Stewart	C	
					Mid Beds	Nicholas Lyell	C	
					S.W. Beds	William Madel	C	
					West Herts	Robert Jones	C	
					St Albans	Peter Lilley	C	
					Welwyn Hatfield	Christopher Murphy	C	
	Dunstable	2360	S.W. Bedfordshire	William Madel C	Buckingham	George Walden	C	
					Luton North	John Carlisle	C	
					Luton South	Graham Bright	C	
					Mid Beds	Nicholas Lyell	C	
					North Herts	Ian Stewart	C	
					West Herts	Robert Jones	C	
					Milton Keynes	William Benyon	C	
Ford	Dagenham	18500	Dagenham Barking	Bryan Gould L Ms Jo Richardson L	Romford	Michael Neubent	C	
					Ilford N	Vivian Bendall	C	
					Ilford S	Neil Thorne	C	
					Hornchurch	Robin Squire	C	
					Erith & Crayford	David Everett	C	
	Halewood	11000	Liverpool Garston	Eddie Loyden L	Knowseley South	Sean Hughes	L	
					Liverpool			
					Moseley Hill	David Alton	Lib	
						Halton	Gordon Oakes	L
	Southampton	3300	Southampton Itchen	Chris Chape C	Southampton Test	James Hill	C	
Romesy & Waterside					Michael Colvin	C		
Langley	2000	Eton & Slough	John Watts C	Beaconsfield	Timothy Smith	C		
				Windsor & Maidenhead	Dr Alan Glyn	C		
				Wycombe	Ray Whitney	C		
				Wokingham	Sir Wm Van Straubenzee	C		
				Chesham & Amersham	Sir Ian Gilmour	C		

Company	Location	Employment	Constituency	MP	Bordering Constituencies and MPs		
Ford	Bridgend	1800	Barry	Raymond Gower	C Bridgend Bridgend	Ray Powell Peter Hubbard Miles	L C
	Swansea	1500	Port Talbot	John Morris	L Swansea Neath	Alan Williams Donald Anderson Donald Coleman	L L L