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JU138
Secretary of State for Industry

11 November 1982

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

I doubt it is in work having a meeting - clearly any time since I doubt if there is any point in a meeting. X seems correct. There seems little mileage in Y. You are a person who can't trust anyone. Agree? MCS 12/11

Dear Michael,

As you know, my Secretary of State mentioned to the Prime Minister earlier this week that Sir Michael Edwardes intends to publish a book about his time at BL, and that Sir Michael had sent him a copy of the chapter referring to his dealings with the present Government. I enclose a copy of that chapter which the Prime Minister may care to look at. (INSIDE LEAF OF FILE.)

2 Mr Jenkin's current thinking is that he might see Sir Michael Edwardes in order to make the following two main points:

x i there is no question of the Government trying to intervene to prevent publication of Sir Michael's book. That has to be for Sir Michael, and Sir Michael alone. (Mr Jenkin suspects that Sir Michael would use any more overt pressure not to publish as a "Ministers tried to gag me!" ploy.)

y ii Nonetheless, he would go on to say, publication of a book of this kind does give the Government some general cause for concern which Sir Michael might like to take into account in reaching his decision. Hitherto, communications between governments of whatever complexion and nationalised industries or publicly owned companies have been on a basis of mutual confidentiality. In particular, both sides have usually tried to conduct relations in an open and frank fashion, and without any eye to possible subsequent publication of correspondence etc. Publication of a book of the kind Sir Michael has in mind would certainly tend to make relations between governments and public bodies (and not least BL itself) more difficult in the future.

In addition, Mr Jenkin is of a mind to take up with Sir Michael a few more detailed points in the chapter where Sir Michael gives an unduly one-sided view (e.g the references to the Government's intervention in BL's dispute with the SMMT, and the allegations about the Government's intervention in BL's practices in the field of taxation.)



3 The Secretary of State wonders whether the Prime Minister might like to chair a short meeting of those who have been most intimately involved in the present Government's dealings with BL before he sees Sir Michael Edwardes? If so, those attending might include Sir Keith Joseph, Mr Tebbit, Sir Robert Armstrong, Sir Peter Carey and Bernard Ingham, as well as the Prime Minister and himself. I should be grateful if you would take the Prime Minister's mind on this suggestion.

4 I am not at present sending copies of this outside this Department, though Sir Keith Joseph has seen a copy of the chapter from Sir Michael's book.

Yours ever,

Candice Varley

RV J P SPENCER
Private Secretary



IND Pol.

DD

10 DOWNING STREET

From the Private Secretary

15 November, 1982.

Dear Jonathan,

Thank you for your letter of 11 November with which you enclosed a copy of a chapter of Sir Michael Edwardes' forthcoming book.

The Prime Minister has commented as follows:-

"I doubt if it is worth having a meeting - clearly anything said at any time anywhere is a candidate for the front pages of the newspapers. You can't trust a person like that with anything."

I would be grateful if you would neither photo-copy nor circulate this letter.

Yours sincerely,

Michael Scholar

Jonathan Spencer, Esq.,
Department of Industry.

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JU221
Secretary of State for Industry

MS

23 November 1982

Prime Minister (2)

MCS 23/11

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

Dear Michael,

Thank you for your letter of 15 November about Sir Michael Edwardes' forthcoming book.

2 In the light of the Prime Minister's comment, my Secretary of State discussed this book with Sir Michael Edwardes last week, and has subsequently written to him setting out his views. I attach a copy of that letter for your information.

3 I am sending copies of this letter to John Kerr (Treasury) and to Imogen Wilde (Department of Education & Science). I should be grateful if they would neither photocopy nor circulate this letter and its attachments.

Yours sincerely,

Jonathan Spencer

J P SPENCER
Private Secretary

JF2062



Secretary of State for Industry

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23 November 1982

Sir Michael Edwardes
Director
BL Ltd
35 Portman Square
LONDON
W1

Dear Michael,

Following our discussion about your book last week, I promised to write to you setting out my views.

As I said to you when we met, the question of publication of this book is clearly for you, and for you alone. But I have to say that publication of a book of this kind does give me some general cause for concern. Hitherto, communications between Governments of whatever complexion and publicly owned enterprises have been on the basis of mutual confidentiality. In particular, both sides have usually tried to conduct relations in an open fashion, and without any eye to possible subsequent publication. Publication of your book might well make relations between Governments and such public enterprises (and not least BL itself) more difficult in the future.

May I suggest that you might care to look at the Chapter again with this general point in mind? For instance, I feel sure that neither Geoffrey Howe nor Keith Joseph would have expected to see your meeting with them (at page 28 of the draft) recounted in such detail. You might also like to be aware - even if you were not told at the time - that meetings with Conservative backbench Committees are always regarded as confidential and it can arouse resentment if what is said there in private later appears in public. Leaks are frequent of course, but overt accounts are pretty rare. When Lord Halsbury published a speech he had made to the two backbench Finance Committees on decimalisation of the currency, he was given a public rebuke by Iain Macleod! I attach the relevant extract from Hansard. [Hansard, Vol 743, 22 March 1967, foot of Col 1757/top of Col 1758.]

You may consider it wise to clear your lines with the Member who chaired the Backbench Committee which you addressed.

We also discussed a few of the specific points in the chapter which I felt were not entirely fair to my perception at least of ... events, and I attach a short note outlining these.

Yours ever
Patrice

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NOTE OF POINTS REQUIRING AMENDMENT OR DELETION

There are four points on pages 41/42 of the chapter entitled "The Iron Lady" which seem to me to be unfair. Each is alleged to be an example of my "intervention" in BL's commercial affairs. They are as follows:-

(a) Tactical handling of the November 1981 Pay Dispute

In fact, the intervention was never in the tactics but in the entirely strategic issue of whether to close the company down; my interest was in being given sufficient time in the midst of the tactics to take stock of what by any standards would have been a cataclysmic decision for the Government. You in fact commented favourably on my "hands-off" approach as shown, for instance, in the short Debate initiated by the Opposition on 29 October 1981.

(b) Negotiations with British Steel Corporation

This arose from the inescapable dilemma posed by two conflicting Government policies each relating to a publicly owned industry; we had no choice but to get involved one way or the other, and if we had avoided your disapproval we should thereby have incurred Ian MacGregor's. It is a good instance of why I am against nationalisation!

(c) BL's Membership of the SMMT

Again, this was not intervention in a commercial matter; the SMMT is in effect the Government's agent in applying a protective quota against Japanese cars, established initially for BL's own benefit. BL's attempt to withdraw from the SMMT was arguably more an intervention by BL in the Government's business than an intervention by the Government in BL's. Moreover, I think it highly undesirable that BL's consideration of withdrawal should receive publicity until the final issue is resolved one way or the other.

(d) The Tax Avoidance Issue

This issue was in no sense a straightforward one of the intervening in a legitimate commercial decision. By any standards, BL was sailing close to the wind in a matter which not only directly affected its main shareholder's financial interest, but also had a bearing on the decision about the amount of public funds the Government were willing to put into the company in the first place. I note that Austin Bide has just written to me saying that he quite understands the reasons which I advanced in support of my views on BL's tax transactions, and assuring me that the company has no plan to engage in any similar transactions and would certainly not do so without my Department's prior consent.

This is a very awkward argument for the Treasury, and with typical Treasury skill, because I admire that Department very much indeed, instead of arguing it, it has adopted it. Much the same now appears in all the letters which Ministers of the Treasury have been sending to Members of Parliament.

I find this in a letter from the Chancellor of the Exchequer to my right hon. Friend the Member for Altrincham and Sale (Mr. Barber):

"In Australia it was found that where staff were trained to help customers with their problems there was little or no difficulty; where they were not there was friction".

Here comes the jump in logic:

"Thus it is not the system in itself which makes for a smooth transition".

The answer is—[HON. MEMBERS: "Go on."] It seems that hon. Members would like the next piece read:

"I have every confidence"—

That must be a different letter. I also have the letter which the Financial Secretary wrote to my hon. Friend the Member for the City of Chester (Mr. Temple). [Interruption.] The letters say the same thing; they are identical.

The real answer, once more, is the simple answer. Australia got it right not just because its preparations were good but because it picked the right system. This is the answer to the success of the system in Australia and South Africa; and I do not doubt that the same will apply to New Zealand.

I have recently returned from Australia. I spent a good deal of time speaking to people—from bankers to taxi drivers—about decimalisation of the currency. It has gone marvellously well. I remember an article in one of the Sydney newspapers which said that when one saw a story about L.s.d. it referred to the drug and not to currency. This was only a very short time after the introduction of the decimal system.

We have a variant of the new argument about associability which the Government are doing their best to play down. A pamphlet which has been distributed by Lord Halsbury contains, as it puts it, the substance of the talks which he gave to Parliamentary Committees of the two principal political parties. I do not wish to raise the temperature, and therefore I avoid comment on that. Our

meetings are supposed to be secret. I thought that this one was. As far as I know, no authority was given by the Opposition for this.

I do not wish to comment on that. But I do wish to comment on the new argument which emerges triumphantly at the end of this short pamphlet. Under the heading "Evidence from India", it states:

"This is of critical importance. It is persistently disregarded because it is ten years old and has lots its news value."

It goes on to explain how India decimalised in 1957 from an incredibly complicated system to its present system, and it says that "the transition went quite smoothly". I have no doubt that it did, partly because in 1957 the vast majority of small transactions would be in kind and not currency, but also because the rupee value of 1s. 6d. is one of the accepted groups and was decimalised into 100 Naya Paise, which is in an exact and pure two-decimal system. This is the reason for the success of the Indian system, and it is odd for Lord Halsbury to say that it is persistently disregarded because one of the bodies which persistently disregarded the advice was the Halsbury Committee itself which had this evidence presented to it, and it appears neither in the majority Report nor in the minority Report. It is slightly absurd that we should be asked urgently to consider it at this stage.

I come to the point about whether associability matters. I have tried to show that the Chancellor of the Exchequer has been driven into arguing that it is unimportant, but I do not think that many people share this view. Every report from every country—and I have studied as many of them as I can—gives the palm to the 10s.-cent. In its simplest form, the argument is that under the 10s.-cent system 13s. is 1.3, which is uncluttered and obvious, whereas under the £-cent system 13s. is 65 new pennies or 650 mils. But I do not think that the evidence shows that the gap will close, although unquestionably it will narrow. The Chancellor of the Exchequer dismissed this matter much too casually.

The comment in paragraph 218 of the majority Report on the report by Dr. Sheila Jones was this:

"Dr. Jones's results . . . suggest that the 10s.-cent system would be easier from the

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Note changes & for DOTI U.

The first time I encountered Mrs Thatcher in full flight was at a luncheon to brief the Opposition in early January, 1979. She and the Chancellor, together with Keith Joseph and Jim Prior, lunched with the seven man BL Board at the Stafford Hotel - coincidentally, in a private room which was to be the venue for one or two hair-raising meetings with Terry Duffy (and other Union leaders) in 1980 and 1981.

In my innocence I thought that we would need to entice Mrs Thatcher to enter into a robust debate about the future of BL, so I placed her not on my right, but immediately opposite me - a technique that often gets a debate going. I need hardly have bothered. She had scarcely taken her seat before she fired the first salvo, "Well Michael Edwardes, and why should we pour further funds into British Leyland?" She glared stonily around the table at each of us in turn. My Board colleagues - not normally lost for words - were halted in their tracks for a good ten seconds..... as we adjusted to the direct style of a very formidable lady. Thereafter it was difficult for anyone to get a word in, as the debate raged on! I cannot say that I felt she left the luncheon meeting any more convinced about our case than when she walked into the room. If she was, she hid it well. But I was wrong.

For two days later, came a letter to thank me for the lunch, "I wish you well in the future in your very considerable efforts to restore BL to prosperity. If I may say so you have a thoroughly realistic approach." She added in ink, "I really enjoyed it, found it most valuable, and was most

impressed by your open realistic approach." Certainly, the letter softened our assessment of how the lunch debate had gone down with the (then) Shadow Cabinet - and perhaps in retrospect that lunch helped to give us at least a breathing space after the Conservatives regained power a few months later.

This was the start of a relationship which tended to be conducted at a distance - she and I rarely met except at formal dinners - but did not lack in intensity at times. I was told by those who knew her better that she admired what she perceived as my persistence and courage in tackling BL's problems but was not at all pleased when these qualities were applied to the task of extracting money from the Government! Equally, I had the greatest respect for her courage, determination and hard work, even though I felt she sometimes discharged responsibilities which she could easily have delegated to her senior Ministers - or indeed to the Chairman and Boards of major public companies who were actually appointed to exercise them!

Soon after the Conservative victory in the May 1979 election, I found myself to all intents and purposes dealing with the new Secretary of State for Industry direct - for as I have explained the NEB's authority was quickly eroded when its future became uncertain.

Many people have an impression of Keith Joseph that is way off the mark. There is, of course, Sir Keith, the

politician, and there is Keith Joseph, the man, but both personalities have one thing in common: great integrity. He may change his mind (and I can bear witness to the fact that he can and that this can be very disconcerting!) but I'm prepared to argue that he will only do so if he is persuaded that that intellectual case requires it.

as I shall explain

He changed his mind about BL affairs, ~~and it was a mammoth reversal, as I shall explain~~ and yet I have to say that he was easy to work with when he was at the Department of Industry; he is one of those people who is always "a pleasure to do business with." In a nutshell, I trust him.

I enjoyed our frequent debates, and despite his philosophical objection to public sector industry - which in many ways I share - I found him to be encouraging and supportive in our day to day working relationship. Contrary to his public image, he has a sense of humour. During one of his rare visits to BL plants, he asked a group of senior managers what they were doing to win the hearts and minds of the workforce. After our efforts to communicate directly with employees had been explained, one of the managers irreverently suggested - "If we grab them firmly by the b...s, their hearts and minds will follow." Quick as a flash, the Secretary of State responded - "That is very interesting, but I can hardly put it that way to the Prime Minister." (Nor would I have been very pleased to hear the comment, for we were trying to steer a course that was firm but not autocratic!)

Keith's intellectual integrity was helpful to BL because it made him a non-interventionist on commercial issues. He has

no real interest in motor cars and did not see why he should struggle to understand them. He paid BL the courtesy of a few visits, but I well remember that when he visited our testing ground at Gaydon in July 1979, to see our new models, we had a real struggle to engage his interest in anything that was not fundamentally important. This did not worry us, because it encouraged him to stick to the strategic issues which the Government needed to tackle as owner of the business. He knew the BL Board was in a much better position than his Department to exercise commercial judgment, and until his departure to the Department of Education in September 1981, we enjoyed a period of minimal intervention by the Government on other than the broadest issues. We were therefore able to make great progress, by concentration on our proper business.

Our first task with the new Conservative Government was to convince Ministers that they had no alternative but to honour the Labour Government's pledge to give BL the funds to see it through 1979. Any public hint of doubt about the availability of funds in the short term would have caused a catastrophic crisis of confidence in BL at that stage. Even if the Government wanted closure, it would have had no control over the speed and cost of it, if a crisis were allowed to develop. With the help of the NEB, we succeeded in convincing Ministers that there were no quick and easy way out.

The second phase in our dealings with Thatcher Government came in the Autumn of 1979, when we put forward our 1980 Corporate Plan together with a request for the Government funding we needed for 1980. We knew that the odds were

against our getting the funds. As the pound grew stronger and the two day a week engineering strike bit into our production, BL's losses were mounting. We were still a year away from our first major new model, the Metro. Although £225 million of the Ryder £1,000 million remained to be spent, we could foresee an early need for an extra £205 million on top of this, to finance our major programme of redundancies and closures. Moreover, if the economic outlook for manufacturing industry continued to deteriorate, we could not be optimistic about becoming free of Government funds thereafter. The Iron Lady's axe was poised, perhaps rightly so.

Nevertheless, the Board felt that we were making progress in tackling our internal problems and that a real prospect of recovery remained. Knowing that this alone would not be enough to convince a very sceptical group of Ministers, I reflected on the cards we had left in our hand.

First, the depth of BL's plight was in one sense a point against closure, since there was no prospect of a buyer who would come along and take it off the Government's hands, or pick up the pieces. If buyers could be found for individual parts of the company (and there were few easily separable operations within BL in 1979), the overwhelming proportion of the company would still have to be closed. This would cost the Government far more in the short term than keeping BL going. Under the public Government assurance, first given by Eric Varley in 1977, it would have had to meet all BL's obligations, and in addition the cost to the Exchequer of the huge redundancies would run to over £4,000 per man in

the first year. We then employed 160,000 in all. Taking account of the likely impact on the component industry and on the regional infrastructure in such areas as the West Midlands, the Government would have had to find £1,000 million within a year in order to pay for the closure. Enough to disrupt its plans for cutting public expenditure.

Secondly, there were some positive points which had special appeal for a Conservative Government. We were making great strides in employee relations during the last quarter of 1979. We had won a 7:1 majority in a secret ballot of the workforce on our restructuring programme - thus nudging the country towards the 'realism' which Ministers were preaching so fervently. We had sacked Mr Robinson and were awaiting the report of the AUEW's inquiry into the episode. We had put forward a tough 5% pay deal for BL Cars with a 67-page list of proposed reforms in working practices; both were still under negotiation with the trade unions. At that time the improvement in productivity and employee relations ranked number one in the Government's industrial objectives, later to be displaced by privatisation. Were they going to throw away this opportunity of a productivity and attitude breakthrough, and kick a realistic workforce in the teeth by going ahead with closure? A similar argument applied to the collaborative deal which we now had ready for signature with Honda. Would the Government be prepared to throw away this pioneering agreement between a British and a Japanese motor company, which might encourage wider moves to transplant the benefits of Japanese technology and efficiency in Britain?

Finally, we made the tactical decision that we should ask for only one year's funding - amounting to £300 million for 1980. This went against all our wishes for a longer period of stability. But it made the decision to support BL more palatable for a Conservative Government. Could they refuse BL "a last chance?" Yet I knew that in a year's time we would have launched the Metro and it would then be even more difficult to close the company. The Prime Minister must have known that if she were to grasp the nettle of closing BL in cold blood (rather than as a result of a strike), she had to do it in her first few months in office. This could mean rejecting our 1980 Corporate Plan.

But we got our £300 million - in the event the tactical points in BL's favour proved more weighty than the Government's free market philosophy. There was of course much agonising inside the Cabinet. As the Economist put it (after the Government's announcement, just as Parliament broke for the Christmas recess):

"On Thursday BL got early delivery of the most begrudged Christmas present ever shoved into a laddered stocking."

There was the usual detailed examination of the Plan at the official level, and the Board invited Keith Joseph to dinner in November to explain its thinking.

Later, John Nott, as Secretary of State for Trade, was asked to cast his ~~qualified~~ accountant's eye over our figuring, and this led to a tense meeting with a group of Ministers at

he is a barrister, not an accountant. Suggest
"banker's" ?

the House of Commons, where it was clear that Ministers did not give us as much as an even chance of succeeding with our recovery programme.

Therefore we could do no more than wait, until I was called off the squash court at the Lansdowne Club one morning to sign a letter which Keith Joseph want to lay before Parliament that afternoon, reflecting what I had already told him on behalf of the Board - that we would have no hesitation in abandoning the Corporate Plan (thus triggering total closure) if we were thrown off course by a strike, or indeed by any other factors. Subject to that, the Secretary of State would announce the funding decision at the same time. Richard Bullock, draft in one hand, pen in the other; me, squash racquet in one hand, towel in the other. Richard, now retired from the Civil Service, has a dry sense of humour. He met me with outstretched hand: "Sir Francis I presume?". I signed, glad that this particular battle was over ~~Keith~~ Keith delivered his side of the bargain later in the day.

The Government were able to describe this decision publicly as a "last change lifeline" (as the Daily Express put it) rather than as a fundamental U-turn. This was hardly an expression of confidence in BL's future, but at least we had our funds, and the decision had come relatively quickly thanks to the pressure of our Honda negotiations - for as I said earlier, Honda might well have pulled out if we had not been in a position to sign the agreement with them by the year end.

Ministers, and not least the Prime Minister, may have regretted this decision in retrospect on many occasions over the next couple of years, as BL came forward with further large financial requirements; by then the combination of

tangible progress towards the company's recovery and rising unemployment across the country made BL difficult to close. Perhaps only now, with even longer hindsight, are some Ministers accepting that they may well have taken the right decision after all, for BL shows signs of being capable of returning to the private sector ^(in due course) on a viable basis. But the growing Ministerial mood of regret and frustration, and perhaps at times resentment, was to cause problems in our relationship with Government for some time.

This was the political background to our dinner with the Prime Minister at No. 10 Downing Street on 22 May 1980, - almost the exact mid-point of my 5 years at BL, and also perhaps the low point. It was ironic that, having successfully overcome the employee relations upheavals in the preceding months, the business was facing its most serious crisis yet - largely for reasons outside our control. With the recession biting into both the car and truck markets, and the devastating combination of high inflation and a strengthening pound destroying the competitive position of British manufacturing industry, BL's losses were projected to mount to record levels. What is more, we had not yet worked out a plan to deal with the situation, for it was literally building up overnight as the pound took off. We had progressed no further than the painful realisation that the drastic restructuring programme, which our workforce had so overwhelmingly supported 7 months earlier, was now no longer adequate. Hundreds of millions of pounds of cash shortfall stared us in the face.

Against this background, we faced the unenviable prospect of going to a working dinner with a Conservative Prime Minister

to tell her the unpleasant news that she and her colleagues would be forced to choose between pumping vast sums into BL to keep us going - or an even greater sum if they preferred to let BL go to the wall. Such a prospect would have caused difficulties with any Government - but with a fiercely determined PM committed to reducing public-ownership of industry, this looked like a suicide mission!

A few months earlier, the pound had strengthened, and we did a major review to see whether we could survive 1980 without further funds. We were able to confirm to the Secretary of State that we could just about see our way through to the 1981 Plan - provided the employee relations scene calmed down in the wake of the dismissal of the Longbridge convenor, and the implementation of the wage deal. Throughout 1980 the pound continued its sharp climb upwards and peaked at the horrific level of 105 trade weighted average in January 1981 - eroding in currency terms much of the increased competitiveness we were achieving through cutting our costs and increasing productivity.

As we drove down the Haymarket, around Nelson's Column in Trafalgar Square, and into Downing Street (^{I was} accompanied by Austin Bide and David Andrews) ^{we} reflected that it would be difficult to put across the truth, which was that our latest predicament was largely due to her own high standing and its impact on our currency! But put across the truth, we must. . . .

With this weighing heavily on ^{our} ~~my~~ minds we stepped into the lion's den. It didn't take her long to get down to brass tacks - one quality I understand, for I also have an

inability to make small talk for more than a few seconds!
A quick drink, and we were immediately ushered into a
working environment, along with the soup.

The Prime Minister was very much in the chair. Her team
included the Chancellor, Sir Geoffrey Howe and Sir Keith
Joseph. The Prime Minister was in an enquiring mood,
somewhat reminiscent of the Spanish Inquisition. "Now what's
this all about? You're not going to ask us for more
money?", was her opening salvo. When I replied that we
would certainly need some hundreds of millions of additional
funds, this immediately ~~set~~^{established} a frosty atmosphere for the ~~early part~~
evening.

of the

We explained that great progress was being made, but that BL
was large and its problems were complex; the critical area
was still product - great progress having been made in other
areas - and we would not have a fully competitive range of
cars and trucks much before 1983. In fact, as each
acceptable new product was introduced, it was burdened with
economic factors that were rapidly moving against us.
Although we expected productivity to improve dram^atically in
1981 and 1982, and we would not concede extravagant wage
claims, the new and unexpected rate of appreciation of
sterling would severely erode our progress. It could be
quantified, and it would be quantified, but as it was months
before we were due to submit the 1981 Plan, we merely wanted
her to be aware of the general problem.

We said that it was not our place to make a political
judgment about the impact of a possible closure of BL but
what was certain was that if the Government's economic
policy was not successful, then BL could not hope to

recover. In other words high inflation and a high pound (whether due to North Sea Oil or any other distortion) was a combination we couldn't overcome unaided, especially if it was set against the background of a recession.

Just in case there were any misapprehensions in the minds of Ministers, we explained that BL's problems at that time would not be restricted to Austin Morris - the popular misconception was that Jaguar, Rover, Triumph and the Leyland truck business were all profitable, and this was far from the truth. Only Land Rover and Unipart made respectable profits. Product actions and modernisation were urgently needed in all parts of BL, and this meant continued heavy funding by Government, particularly in ~~current~~ ^{the prevailing} economic circumstances; it also required collaborative ventures to speed up the actions.

We emphasised that apart from one or two parts of the company - perhaps 20% ~~of it~~ in sales turnover - the business was not saleable. Privatisation of sections of it might seem tempting, ~~as a possibility~~, but it wasn't a practical option. On the other hand, as the recovery programme progressed, and as collaborative deals were consummated, we would hope eventually to bring in equity partners, which would strengthen BL and serve the Government's purpose of introducing private sector cash.

Nevertheless, we had to be open with Ministers - on present economic assumptions there was a real case for closure. This was a political rather than a commercial issue. The Prime Minister asked what could be done about it, and I

replied that Government could fund the company over and above the present Plan, ^{Plan} when the 1981 ^{Government} was quantified, ~~it~~ could accept the need for finding hundreds of millions in extra funds . . . or Government could close the business now, at a cost of arguably £1,200 million. Neither route would be palatable.

We were well past the fish course at this stage, and the Prime Minister was not enjoying the discussion one little bit. It didn't help when an aide popped his head in to give the end of the days currency figures - the pound was still moving inexorably upwards. She had my full sympathy at this point; with public expenditure cuts proving difficult to push through, and the recession and the strong pound starting to accelerate the growth in unemployment, her sense of frustration with BL, as a microcosm of her wider problems, was understandable.

I pause here to reflect on whether we were right to have ^{indicated} indicated this type of debate. In mid-year, between Plans, one can only talk in very broad terms. We were postulating concepts; foreshadowing problems for 1981 which would only become crystallized when we submitted the 1981 Plan towards the end of 1980. Concepts which could not be ~~precisely~~ ^{in any precise way} quantified for some months. Now we had reason to believe from subsequent feedback that she found this unsatisfactory. Our lack of precision, our lack of quantification of likely sums involved, was seen by the Prime Minister as a weakness - whereas we saw the working dinner as an opportunity of flagging up problems on the horizon. As a Board we were used to dealing with concepts at the profile stage, and specifics at the plan or budget stage. We thought we were being helpful in doing this, but she expected a debate of the

latter type, and our "broad" approach was read^s a lack of professionalism. To this extent we did not do justice to our cause. On the other hand the message we were conveying was relevant not only to BL, but to hundreds of industries

then being severely damaged by the over-valued pound. ~~and~~ ^{To} be able to offer the Prime Minister and her Ministers a meaningful example of the impact of her currency policy, seemed to us to be^a very necessary exercise - perhaps even our duty. (Subsequent events, in 1981 and 1982, showed that our concern was not without cause).

Meanwhile, we had moved into the drawing room to continue the cross-examination! What could BL do about it - that was more to the point, she said. Well, we were drastically cutting costs and would have to re-do our model programme; be much less ambitious. But even then the need for funds would far exceed that envisaged when the 1980 Plan was submitted in November 1979, only six months earlier. This was a political issue[/] - yes, she agreed it was.

The biggest surprise of the evening was her next contribution to the debate: "How much do we have in the contingency reserve, Geoffrey?"

My immediate reaction was: we are in with a chance. My colleagues later concurred with this view. The Chancellor looked distinctly uneasy, and understandably was not too explicit in his reply!

The Ministers looked tired - it was after 10.30pm and we had been at it since 7.30pm - "is that about it?", Keith Joseph asked. The Prime Minister said no - there were other aspects to explore. We ended by discussing the large wage

settlements in the public sector; she ~~was~~ ^{doubted} that interest levels would drop, or that the pound would ease in value. in the short term.

At the end of the evening we all agreed that no proposals were on the table, because the BL Board were not yet ready to put forward positive recommendations - therefore no decisions were sought. We had had a useful exchange of views. And the climate which at the beginning of the evening had been frosty to cool, warmed up just a wee bit, *as we* trooped out into Downing Street at ten past eleven.

Austin and David and I chatted about the dinner; and agreed that the only thing that was certain was that to continue with ^{the} Recovery Plan would cost a great deal more money, and we calculated that a large cheque ^{- perhaps a billion pounds -} would be needed to fund the ~~1981~~ Plan, when it was presented to Keith Joseph in the Autumn of 1980. ~~In this we were right~~ *We learned out to be right.*

for 1981 onwards,

Would they wear it? We simply didn't know - and we were wise to take nothing for granted, for the further funding requirement ~~turned out to be~~ ^{at} £1,140 million ^{was} just about the estimated cost of closing the business. Too close for comfort.

It seemed

~~I am~~ told that the "BL dinner" became deeply engraved in the Prime Minister's memory; that it acted as the focus of her resentment about the 'BL problem', and she had no desire to repeat the exercise. It was the first and last working dinner!

This did not mean that she delegated the problem to her Secretary of State for Industry. She was the exact opposite of Jim Callaghan in ~~this~~ ^{this} respect. Everything of any conceivable political consequence ~~had to be~~ ^{was} referred to No. 10 - not only the strategic decisions on funding, but ~~even~~ matters such as the ~~appointment of a non-executive director to the BL Board or the Chairman's remuneration.~~ Moreover, ^{on other matters} this was no rubber-stamping process. Recommendations were frequently overturned. Quite apart from the Prime Minister's direct role in this, her general attitude to the sponsoring and spending Departments encouraged the central

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Put this in the earlier too.

parts of the Whitehall machine - such as the Treasury and the Central Policy Review Staff (the Think Tank) - to indulge their penchant for second guessing the judgments of other Departments.

I cannot judge whether she was right to extend such little trust to her Ministers - but ~~this~~ ^{it certainly} tended to undermine their credibility, and turn the already complex process of securing the right decisions from Government into a fine art.

Particularly in 1980 and 1981, under Robin Ibbis, the Think Tank came up with some extraordinary ideas and seemed to have an influence out of all proportion to its expertise.

There are of course occasions when the Staff experts are right, and can show that their point of view would have secured a better result. This is ~~however~~ ^{not always a good} leadership approach, for if you second guess those responsible, you demotivate and sharply ^{reduce} make an effort and commitment. It does'nt pay to second guess 100% in order to lift correct decisions from 99 to 100, for the effort put into the 99 is ~~then~~ ^{can be} heavily diluted!

Subsequent

Whenever we met socially, the PM was extremely friendly. Just as I admired her ability and determination in pursuing policies with which I ^{did} not always agree, she seemed to recognise and applaud the progress we were making at BL and in this she was generous, particularly as she ^{admitted} hated the whole concept of BL as a State-owned and cash-consuming operation. She went out of her way to be helpful in the launch of the Metro by driving in one to the Motor Show and driving another up and down Downing Street - thus demonstrating (in her own words) that a U-turn does ^{no} more than bring you back to where you started!

She could also take conversational ripostes as well as administering them. As I was leaving a dinner at No. 10 in

honour of President Mitterand of France, I was about to thank the Prime Minister for the pleasant, indeed intriguing evening when Lord Carrington, who was standing beside her, said something to the effect that BL was now going much better - "Keep up the good work Michael", he said with his usual charm

X She immediately pounced on his words and said, "So he should, he's paid more than I am".

Now it so happened that we had had some actuarial assessments made of the cost of pensions for people in short-term posts, and although the present Prime Minister does not see the role as short term, the actuaries had understandably examined her job in this light.

What it amounted to was that the salary approved by Parliament - about £36,000 - provides the basis for the pension, whether or not the salary is fully drawn, and a full and ample pension is paid from the date of leaving office, even if that happens to be ^{only} days after the ^{fund} appointment.....this is of course very expensive to ^{fund} find. When I began to point this out, she countered:

I don't even take the approved £36,000 - I only draw £28,000 per annum."

"But Prime Minister, you are not including the cost to the State of funding you pension - if you add that back, your job is worth £28,000 plus £70,000 per annum, or approximately £100,000 in all."

I thought Peter Carrington would burst. My conversation with the Prime Minister was helpfully interrupted by other guests saying farewell, and I left speedily. She took it well, as one would expect....

People often forget the impact of pensions contributions - in fact MPs and even Ministers are very badly treated - their pensions are pro-rata to the length of time they are actually in their hazardous roles and the cost to the State is rather niggardly. But the Prime Minister draws a very reasonable pension (even if only in office for a day) and the additional cost of it is about double the face value of the salary. Any why not? The job is onerous, and the risks are enormous.

*Certainly this Prime Minister
draws every penny*

But this is a light aside describing the tail end of a very interesting experience - watching one of the greatest Conservatives entertaining a very Socialist French President. And how well they got on together; quite unlike the chilly ~~atmosphere~~ when I attended a dinner for Giscard *President* d'Estaing the year before. Of course, Mrs Thatcher and President Mitterand differed very greatly in political thinking - but they did agree to differ, which was a helpful start. An example of the statemanship of a lady so often wrongly portrayed/as a narrow-minded dogmatist.

by her critics

The May 1980 dinner had set the alarm bells ringing, signalling the need for hundreds of millions of pounds. At the end of that year the Plan went in, and frankly when one looked at the size of the figures, I was not sanguine about our chances of securing Government approval. The sum of

£990 million over two years (with a requirement of £150 million thereafter) looked horrific to me. Admittedly we had the highly successful launch of Metro under our belts, and we had implemented all the physical actions laid down in our 1980 Plan, including the recovery programme announced in September 1979^{and} the working practices reform package, which was already bringing about ^{some} tangible improvements in productivity. We had also set in hand a reorganisation which would sub-divide BL into four distinct operating groups - Cars, Unipart, Leyland and Land Rover. This was the logical next step in our plans for decentralisation, but it was also attractive to Government in facilitating later privatisation and insulating the effects of a major strike in the volume cars business, from other parts of BL.

We also set up Jaguar as a separate entity within the car business - alongside what was to become Austin Rover.

My reason for being pessimistic was that the right-wing opponents of BL seemed to hold a formidable hand. First, the need for as much as £990 million sprang from a massive deterioration in BL's trading position (arguably attributable mainly to the Government's economic policies) which was likely to lead to total losses ~~after tax and extraordinary items~~ of over £500 million in 1980. The Board had therefore been unable to make a positive recommendation for the funds - it had simply said that a real prospect of recovery remained if the funds were provided, but that it could not oppose a Government decision to close the business. This was the only honest course open to us. Secondly, we had 'gone for broke' by insisting on a two year period of committed funding to give us stability to plan ahead and encourage our hard-pressed dealer network - this was vital commercially, but the combined funding ^{request} added to the risk of the political decision going against us. Thirdly, the public expenditure constraints on the

about the funds

Government were still severe, given their overall economic policy. Fourthly, there was some distrust of the Board on the part of some Ministers. They felt, under the terms of the published letter I wrote to Keith Joseph at the time of the funding decision a year previously, that we should have pulled the rug when BL's financial performance deteriorated during 1980 - even though we had stayed within our Government funding limit for the year, and were achieving many of our physical targets. Finally, there was the thorny subject of privatisation, which by now had replaced employee relations as the Government's No. 1 concern, in the arena of public sector industry.

It was in some respects surprising that privatisation should have become an issue between the BL Board and a Conservative Government. Shortly after my appointment to BL, I found myself saying to Jim Callaghan, in the Cabinet room at No. 10, "I must be frank, I don't believe in State ownership of industry, but I will do my very best to bring about BL's recovery, regardless of who owns it for the time being . ." or words to that effect. The rest of the Board have always favoured ~~the~~ free enterprise, ~~and~~ and our ultimate aim has always been to return BL to the private sector.

Unfortunately, the political and the commercial time-frames for achieving this did not match. The Conservative Government's time-frame was set by the 4-5 year duration of a Parliament; in addition, they looked to disposals as short term means of alleviating the burden of funding BL. The commercial reality, however, was that BL as a whole could not recover in time to attract significant private capital

before the General Election in 1982/4. In these ^{late action} circumstances, the Board was still willing to ~~make progress~~ in the shorter term where this was feasible - for example, through the disposal of non-mainstream businesses such as Alvis, Coventry Climax and Prestcold, which raised no less than £53 million in 1981 alone. But we ^{it was not desirable} ~~were not~~ prepared to pursue privatisation in ways which put our recovery programme at risk - for example by selling a business which was not separable from the rest without serious damage, or by selling prematurely when the price would be so low as to reduce BL's cash flow or seriously weaken its balance sheet. We also had ^{over 80,000} 84,000 private shareholders to take into account.

The only justification for privatisation at the expense of recovery would have been if BL had no real ^{change of} surviving and becoming profitable, and in the dark days of 1980, I'm sure there were several Ministers who took precisely this view. Even then, to break up BL and try to sell off the bits, offered no easy way out for the Government. ~~It~~ was inconceivable that a buyer would have come forward for the whole of BL - even if the Government had paid them a substantial dowry to take it (which ~~some~~ Ministers might well have been willing to do!) Nor could many of the individual bits have been sold, and certainly not at worthwhile prices - the ^{un}competitiveness of the UK economy combined with the worldwide recession in the motor industry saw to that.

Occasionally, prospective buyers would come forward for particular pieces of our business without having adequately informed themselves of the true state ^S of those businesses. ^{of size or value}

The interest of Aston Martin Lagonda in MG, and of Mr David Brown in Leyland Vehicles, were two well-publicised examples. Even less substantial rumours of buyers for Land Rover and Jaguar arose from time to time in Whitehall or in the press. On each occasion, we faced a political flurry - but on closer inspection of the realities, the interest, or rumour of interest, invariably evaporated. *The entrepreneur had underestimated the funds required.*

So privatisation offered no ^{real} escape from the bulk of the cost of closing BL, if the Government had chosen not to support the Plan. But the Government's gradual realisation of this did not remove the difference of emphasis on our fundamental objectives - the Government's priorities ^{tended} ~~seemed~~ to be privatisation (with ^{important but secondary} ~~recovery as a primary goal~~) while the Board believed that ^{further} recovery had to be achieved before privatisation could become feasible.

The processing of a BL Corporate Plan through the Government machine starts with a detailed examination of the Plan by an inter-departmental committee of Civil Servants, who then make recommendations to the appropriate Ministerial Cabinet Committee. While this examination was still in progress on our 1981 Plan and £990 million funding request, I was surprised to be asked informally by Keith Joseph whether I would be prepared to stay on as Chairman beyond my original secondment, which was due to end on 31st March, 1981. (^{e secondment} This had already been extended for a few months beyond the initial three year period.)

The question surprised me because I had expected the Government to reach a view on our Plan before deciding

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whether I was the right person to carry it forward. But Keith seemed to feel that, if the Board attached importance to an assurance of funding over a two year period (to achieve stability) then I should be prepared to see this period through, until around the end of 1982. *Fair enough..*

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I was also surprised for another reason. The question seemed to give us a bargaining counter - if I and the Board wanted to use it. *The Board saw it that way, & so did I.*

I pondered long and hard, for I had been determined not to be involved in the public sector for longer than three years. On the other hand, I felt that I owed it to my *62* colleagues to stay on, for three specific reasons.

First, it was clear that our chances of securing the £90 million we then sought from Government, would be much greater if there was no early discontinuity at the top.

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Second, although we had made progress, it was clear that what I had hoped to see done in three years, would in the event take *all of five years.* ~~three~~

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being put
Third, we were *being put* under great pressure to dispose immediately of parts of our mainstream business - this I saw as a dangerous step from a timing point of view. Better to get the business back on its feet, than risk the disruption and loss of confidence were we to sell the jewels in the crown,

prematurely. If I was really wanted - which surprised me in some ways - perhaps there was a trade-off? I would not have raised the subject - it was distasteful to make myself the subject of a "horse-deal" - but given that I was being invited to stay on, it seemed reasonable to explain the circumstances in which I would do so. I put the matter to the BL Board, and they pressed me to accept the offer, and to make it conditional. In fact they too felt so strongly about the need to avoid hasty sell-offs that they asked to be associated with my letter, in which I said that I would consider staying on if we received an assurance of Government funding for a reasonable period ahead, and were not forced to commit ourselves to any premature outright sale of our mainstream businesses.

I sent my letter to the Secretary of State on 4th December. I don't think its message was very welcome in some quarters. Phrases like "a gun to the head" were quoted to me afterwards. This was never the intention. But it certainly stirred things up, and there were distinct signs of progress when I was invited to see a group of senior Ministers a few days before Christmas. This was in Keith Joseph's office, where ^{the BL Board} David Andrews, Frank Fitzpatrick and I faced a barrage of questions from John Biffen, John Nott, Jim Prior and Keith himself. They were to report back later that day to the PM and the Chancellor, and I left the meeting believing they knew all they needed to know about the Plan (and the Board's thinking) in order to reach their decision.

However, to our surprise, no decision was forthcoming before Ministers departed for their Christmand and New Year break, although it emerged from leaks to the press that only John Nott had stood out against approval of our funds. There ~~was~~ ^{was} of course no enthusiasm for supporting BL, but the political and commercial realities were beginning to be recognised by his colleagues. Yet apparently the temptation to defer the decision had been too great. I was deeply disappointed that we could not now hope for a decision until after Parliament had returned in January - three months after we had submitted our Plan to the Government. I went to South Africa to spend Christmas at home - the holiday was not a relaxed one, with the Sword of Damocles poised above, and I was conscious of the damage being done in the market place - uncertainty kills business.

The lack of a decision was much publicised, and the undertainty was playing on the minds of our managers, workforce, dealers and indeed everyone whose support was needed to keep BL going. I was heartened by the news in early January that John Nott was being reshuffled from Trade to Defence. Perhaps we could now get on with running the business!

But I reckoned without the effects of a lengthy break. Ministerial doubts had been nurtured by further reflection, and Keith Joseph in particular had had a change of heart. Ministers met again under the PM's chairmanship. I know that Keith had advocated to colleagues that Government should support the BL Corporate Plan for 1982 onwards indeed I was told later by a Cabinet Minister that ^{a paper to this effect had been} circulated to his ~~colleagues~~ ^{Ministers} before the meeting, and might well have ^{actually} been before each person around the Cabinet table. The paper said, "give them the money," and Keith - in what would

otherwise have been a preamble to support the case - said, "don't"! By this time, after weeks of debate, including debate between groups of Cabinet members and the Board, most people around that table were supporters or had been converted. Some saw the funding as the lesser of two evils. But there was no heavyweight view opposing the funds - only, *but unbelieved* the Secretary of State for Industry ~~itself~~ *himself!*

Now, why ever did he do it? He did it because at the end of the day he was too honest to do otherwise. Keith, the ~~main~~ *man,* does not believe in public support for loss-making industry, whatever its likelihood of ultimate recovery; he is not in favour of Government being involved in anything or any business that need not concern the State ~~in~~ in short, *funding* ~~helping~~ British Leyland was anathema to him, as indeed it was to some of his colleagues. The difference is that others were prepared to subordinate their fundamental philosophy to political reality, and Keith was not. Admittedly, he had been prepared to ~~do~~ *follow* the "political" route at first - but he had since persuaded himself that he was not being true to his ideals, his basic doctrine - and who would deny that? He repented, and he did what his conscience demanded.

And so we had yet another unique experience at BL; a Secretary of State (in the end) winning vast sums of money for the company's recovery plan, against his own wishes. *seemed to turn* Not that we had yet ^{" "}won, as Keith's volte face had ~~turned~~ the Ministerial mood against us for the moment, ~~and~~ we were

and

that the decision, in principle, had gone our way

not at first told ~~about the decision~~ the outcome of the Ministerial meeting was not revealed to me until some time later; instead we were greeted with a stony silence by the civil servants, and with a summons to meet the Chancellor of the Exchequer and the Secretary of State for Industry at 7.30pm on 20th January. Although the Prime Minister's office had asked me to stand by to see her, she changed her mind and 'delegated' the task. ~~But although~~ she had reserved all the final decision-making powers to herself, ^{but} she had at least 'delegated' to the right Minister, for Geoffrey Howe's commonsense proved to be a major factor in overcoming what had the makings of a crisis.

At that point all I knew was what the two Ministers told me at dinner "Downing Street that evening."

Geoffrey and Keith told me that the scale of the funding requested by BL was "horrific", and they asked whether the Board would give a public commitment to seek to sell BL or merge with another manufacturer as soon as possible, in order to relieve the Government of this enormous burden. I explained once more that there was no easy way out for the Government, and that the Board could not hope to manage the business successfully while advertising it for sale at the same time. If the Government decided to close the business, then the Board would accept the right of our 99% shareholder to take such a decision, and would co-operate as required.

(This has been the Board's position throughout - we would not have walked away from a firm decision to close the business ^{in appropriate circumstances} - we were prepared to see it through).

On the other hand, if our employees, dealers, bankers and potential collaborative partners could be given confidence by a commitment to two years of funding, there were positive opportunities for further collaboration and for bringing in private sector equity capital as BL's recovery progressed. As the discussion wore on, I could feel the attitude of the two Ministers moderating, as the commercial realities began

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I think
it
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(tentatively)

to come through once again. Having anticipated some of their concerns, I was able to give them two notes describing what we would be prepared to say publicly about collaboration and two year funding to ease their presentation problems. While it was all rather hypothetical, because they had to report back to their colleagues, the meeting ended with my being asked to provide a draft public statement, ^(to be endorsed) approved by the BL Board) which would help the Government to handle the approval of the funds in the House of Commons, *if that was to be the outcome.*

~~the meeting~~

Although no decision was taken then, that meeting proved to be the turning point, *on flooring up on the Cabinet's last round decision to back us;* Keith Joseph announced approval of the £990 million in the House of Commons six days later.

Outstanding! That six day period was by no means plain sailing! however. Having agreed the principles with senior Ministers, I was amazed to hear by telephone on Friday evening, 23rd January, from my assistant, Roger Holmes, that the Prime Minister had got her teeth into the various draft statements which were due to be issued publicly on 26th January, ^{that she} and had made extensive changes which once again raised major issues of principle. ^{At the time} I was at the Dowty Group prize-giving ceremony in Cheltenham ^{then Chairman} (at the invitation of one of our Board members, Bob Hunt) and this occasion was disrupted ^{by a number of} further telephone calls for me, as we tried unsuccessfully to resolve the problem ^{that evening} on the telephone; we finally arranged a negotiating session with Sir Peter Carey at my home for the next day, Saturday.

The situation would have been difficult for any

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constitutionalist to comprehend. It seemed that having decided in the appropriate Ministerial Committee to support our funding, the Prime Minister must have separately summonsed officials to No. 10, apparently without any collective Ministerial presence, to tell them of the *significant* ~~important~~ changes she wanted them to negotiate with me - changes which in our view would have eroded the authority of the BL Board to carry through the recovery programme. At my Saturday afternoon meeting with Peter Carey, his great ingenuity at drafting (as well as hours of argument) had to be employed to meet the PM's wishes as far as ~~would could~~ *possible* without undermining the Board's authority. Then we had 24 hours of waiting while the outcome of our discussions was sent out to Chequers for approval.

Finally, the approval came. Keith Joseph did not enjoy the announcement he had to make to his own backbenchers on further funding for BL. His discomfiture showed, and I sympathised with him. But I too was about to face his backbenchers, for immediately after Keith Joseph's announcement I happened to have a *long standing* commitment to address the Conservative Industry Committee. In view of the sum involved - £990 million, actually approved, and a Corporate Plan which envisaged a further £150 million - the timing was opportune, for it seemed only right to give the backbench Committee ~~an~~ *an* early opportunity of questioning us on the company's plans and actions. It was not for us to justify the Government's decision to provide the funds, but we owed it to groups of

MPs - particularly hostile ones - to explain why we had sought these massive sums of money, and how we proposed to use them.

Accompanied by senior colleagues, I went to the meeting knowing that the far right wing were resentful about the Government's decision, and ^{could} somewhat puzzled at Keith Joseph's apparent acquiescence in the process. In presenting the decision to the House of Commons, Keith had been absolutely loyal to the principle of collective Cabinet responsibility, for he gave no hint of his personal contribution to the debate; but the agony of the conflict with his own personal principles (combined with the extreme reluctance of the Government as a whole to provide financial and even moral support for the company) had come screaming through between the lines. There was a case for mollifying the backbenchers - cooling their tempers and winning them over. The fact that we did not attempt this, that we took an entirely different tack, was due to a number of incidents that had occurred in the recent past. For example, for all the pious exhortations that the public sector should behave commercially, seventy Conservative backbenchers had signed a motion opposing the closure of MG, despite the fact that it was losing money at the rate of £26 million per annum. Furthermore, while we were trying to build bridges with the unions, having had a fairly torrid time over a couple of years, right wing MPs would (unwittingly I like to think) make extremely provocative statements on a variety of

subjects, which had the effect of worsening relationships between management and workforce. We felt that we had been forthright, and certainly not soft, in our dealings with shop stewards and others. This was our job - no-one else's! Gratuitous criticism of our employees by the right wing, or anyone else, was superfluous and downright unhelpful. Furthermore, much of the criticism was destructive and was hurting us in the market place - at home and abroad. This was the real problem and the one I planned to focus on that evening. At that time, January 1981, I found the extreme right wing just as unhelpful to our cause as the extreme left hence the calculated aggression which went into the Industry Committee speech. It was not well received and charges of arrogance were levied at me afterwards; there was in fact a rather uncomfortable hour of hostile dialogue, following my speech, and although I could well understand their reaction, I felt that what I had said needed saying.

opening
My *spearing* remarks reflected the frustration we felt at the time: -

"Our job at BL is to run a business. Running that business is an uphill slog at the best of times. When, however, we are beset by extremist influence, whether they are Derek Robinsons or extremists on either side of the political spectrum, it makes the task that lot harder.

"Divisiveness in Britain makes world headlines; above all we lack and need greater unity of purpose. I for one am sick and tired of destructive criticism that makes it easier for our world competitors to sell

against us. Because we are not militants or politicians we turn the other cheek in public - and despite the damaging effect on our market share and public confidence - we get on with running the business."

"This evening, however, I thought it proper to comment on some of the ill-formed criticism that BL is subject to out there in the market place.

"The fact is BL is very seldom on strike now. Last year was the best industrial relations year ever (98.6% of all working hours free of dispute - a .76% improvement on 1979). The Trouble is we ~~pay~~ ^{are for} for the bad behaviour of a decade from 1968 to 1978, and when there is an isolated dispute - arising as often as not from firm management action to take us further along the recovery road - the floodgates open.

"The militants and the media we expect. It is surprising, however, to get uninformed, unconstructive criticism from people in this room, even when your own colleagues in Government decide to keep us going. The Government owns the business - we have the unenviable task of running it. If the roles were reversed I wonder what you would do differently to what we have done. I am sure that you like us, Mr Chairman, would have:

1. Slimmed or demanned by 52 00 jobs in three years
2. Kept wage rises to low single figures for three years (there's some way to go in the public sector yet to get down to BL's level).
3. Closed large sections - loss making sections - of the business
4. Taken on the militants and asked managers to put their own jobs on the line again and again.

← (In BL managers are not up for election every five years - but three times a year. That's each time management doesn't cry wolf or bluff when militants take us to the brink.)

"The Board, management and employees, didn't decide to provide £990 million. We merely tabled a plan, as an alternative to the real option of closure. An intelligent group of Ministers made the decision to keep the business going and if we in BL have more influence on them than some of you do, perhaps you want to review your way of looking at this problem. It just might be that a decision to close BL (other than for reasons of suicide) may be the wrong decision at this point. And our employees continue to perform - yes, continue, Mr Chairman. With a 10% real improvement in output per man in 1980 (and much more, 25-30% at Land Rover and the Metro plants). (Don't believe all the letters you read in the press Mr. Chairman.)

us

"If Government funds ~~is~~ and the pound is kept in a proper perspective we might just win through. (Incidentally, with the pound at this level it would not only be BL, but hundreds of healthy companies which will be taken to the brink on the strength of sterling alone - that is a far more fundamental issue than the survival or not of BL and its something for you to get your teeth into; persuading the Cabinet that there are ways and means of getting the pound down.)

"Let me be absolutely clear - we have ~~not persuaded~~ ^{*tried to persuade*} the Government that BL is certain to recover. It would be dishonest to do that - we are too exposed to be sure of recovery. Economic circumstances are difficult, our image doesn't help, and our workforce just might decide we are bluffing and then find out (too late) that we really do mean what we say.

"Yes, we may fail, particularly if our workforce invite us to ^ocommit suicide - in which case the Board would pull the rug and we would expect the Government to back us ^{*in that*}. But can you expect the Board or the Government to reward a moderate pay settlement, the most far reaching reform of working practices arguably ever introduced in the Western world, the launching on time of the successful Mini Metro, and the remarkable strike free performance in 1980 to reward all this by kicking all that into touch and by kicking not the militants but the sensible average employee in the teeth? No wonder the Cabinet decided against closing the business at this time and in these circumstances, ^{*painful*} despite the £990 million bill. ^{*act.*}

"Given that, is there not some merit in pulling together and backing the efforts of our managers to succeed? Let's be clear, the BL Board has the objective of injecting private equity and involving the private sector in our business, but it must be on the basis of sound commercial judgment. It is the Board's overriding objective to reduce and eventually be free of State funding. But piece-meal, ill-timed sell-offs are not the way. There is simply no queue of buyers waiting for the "sale of the century". Peripheral parts of the business have been up for sale for more than two years with no dramatic cash intake as yet. (Look at what has happened to the erstwhile MG bidder, Aston Martin.)

"It is pie in the sky to believe that any major unprofitable part of BL is ready yet to return to the private sector, on its own.

"As to the profitable parts - we need the attractive parts of the business to attract the strategic collaboration we are actively seeking as a major plank of the recovery programme, and to fund our cash flow.

"We are not ruling out any form of collaboration, including major equity participation, which would make commercial sense and secure the future.

"But confidence is key - confidence of customer, supplier, bankers, dealers, potential partners in collaboration; and there can be no confidence in BL's future if there is constant sniping and pressure for disposals. As we told Ministers you cannot run a loss maker and try to secure recovery while large potential chunks are being advertised for sales. Try it. I promise you it is not on.

"You must allow the BL Board (which includes the Chairmen of four highly respected public companies) to exercise its ~~fairly~~ wide and experienced commercial judgment. I am very willing to hear how you would like us to run the business and I promise to put your proposals undiluted to the next BL Board."

"We can take constructive criticism - we cannot take being a whipping boy for political dogma of any colour. BL's new year resolution was to try harder. I hope some of you will endeavour not to - otherwise you may well neutralise our efforts. Please, can we now channel our efforts into making it work, rather than joining the lemmings in their rush to go over the top. . . For God's sake can we not have unity instead of continual divisiveness."

~~It did not matter~~
I have to admit my speech was not received with enthusiasm!
That same week the Prime Minister unwittingly supported what I had said to her backbenchers, in an interview on ITV's Weekend World

"Does it really seem to be the time to say to them, no I'm going to chop you off at the stocking tops when you've got a new car, [METRO] you're getting enormously increased improvements in productivity, you are in fact not having more people than is necessary to do the job, you're getting rid of your wreckers, you've got a new spirit of cooperation, and I know that many, many good firms in the motor car component industry, which is a very good industry, supply British Leyland . . . It was a difficult decision, I don't conceal that . . . I never want to take on another British Leyland. We shouldn't be in it at all, but now we're in it we have to choose the time and we have to back Michael Edwardes' judgment. He's the manager. I'm not the manager."

The next day Spike Milligan wrote in - he frequently writes encouraging letters - and pointed out that £990 million was a great deal of money. Could I spare some? I wrote back explaining that BL needed the whole £990 million, but I had a few quid to spare, and he was welcome to half of it.

"Herewith a fiver."

Since that date Spike writes to invite me to dinner periodically, and invariably encloses a pound note. That fiver will end up as one of my better investments.

Even Henry Root, of the highly amusing "Henry Root Letters" book, when he wrote to me, declined to attached his customary pound - and this makes Spike Milligan's contribution all the

more worthy. No-one will ever know whether our "shrewdness" in spotting the Henry Root ploy was in fact an oversight on our part - or real cunning....or merely that he forgot to enclose the money!)

But to return to Mrs Thatcher's interview - both then and more particularly later when Patrick Jenkin succeeded Keith Joseph as Secretary of State for Industry, I wished that the recognition of who was responsible for managing the business was always as clear as ~~her~~ ^{she was in fact} statement ~~suggested~~. But she had expressed the Government's dilemma precisely. I had hoped for less grudging support. But we had achieved what the press saw as something of a miracle in extracting such a major funding commitment from an understandably reluctant Government; we were now able to turn our attention away from the political arena until the next battle which I foresaw as being about my successor.

We had won the battle but not the war; we had won it partly by ~~sup~~pressing the difference of emphasis between the Board and Government on objectives. We had not met, and could not meet, the Government's ^{early} aspirations on privatisation; but, in giving way to the commercial realities and to the "threat" (as they regrettably saw it) in my letter of 4th December 1980 concerning my personal position, Ministers had by no means been converted to the Board's point of view. I know that, in agreeing to stay on until the end of 1982 (as part of the funding package) I had given myself a further task - to clear the air with Government, so that my successor would inherit an atmosphere of mutual confidence and shared objectives. (This proved to be a difficult task as I shall explain ^{but at the event I now believe it was achieved.})

taken from industry when he was

There followed several months of relative calm in our relations with the Government. From January 1981, Keith Joseph was supported at the Department of Industry by a very able Minister of State in Norman Tebbit - who unfortunately for BL, was promoted to Secretary of State for Employment only 9 months later. They made a good team. Keith set the pattern of non-intervention, while on issues in which the Government ^{really} needed to be involved, Norman provided a high level of understanding and realism, mixed with an appropriate toughness. He was also very probing.

This grasp of the situation helped us in particular over an awkward hiatus in the affairs of the Leyland Group, which looked after our worldwide truck and bus activities. As I shall explain in more detail in a later Chapter, the Board had been able to approve the Leyland section of our 1981 Corporate Plan, and we had moved David Andrews and Ron Hancock to the Chairman and Managing Director roles at the beginning of 1981 and asked them to take a new look at the whole strategy and management of that business - since the extent of its fundamental problems had not been fully appreciated by its own operating management. We had promised the Government a revised Plan by mid-1981, but by that time David and Ron were still only just getting to grips with the problem, and were some way short of a satisfactory solution. Eventually, they came up with their radical restructuring package in November, but we owed much to the understanding of Ministers and civil servants at the Department of Industry that they continued to fund the Leyland Plan pro tem, despite the heavy losses of Leyland Trucks throughout 1981, and in the absence of a convincing

recovery strategy. They realised we needed time, and they had the courage to face criticism while we thought it through. *As indeed we did, to some extent, & & the credit of David Andrews and his team.*

In September 1981 both Keith and Norman were 'reshuffled', and I was sad to see them go. Nevertheless, my first impressions of Keith's successor, Patrick Jenkin, were favourable. An introductory chat turned into a lengthy review of all the main BL issues, and I found it refreshing to be dealing with a pragmatist after the philosophical agonies which had afflicted his predecessor.

Unfortunately, I was soon to discover that this pragmatic (and politically sensitive) approach had its disadvantages. The new Secretary of State turned out to have very little concept of, or even interest in, the strategic framework of the Government's relationship with a high-calibre Board of a State-owned company. He therefore lacked any instinctive check on the political temptation to intervene in our affairs.

Intervention therefore grew substantially, on a great variety of issues which I felt were the responsibility of management. I often wondered whether the Prime Minister would have approved of the change of style at Industry, had she been aware of it - which I ~~assume~~ ^{suspect} she was not. The Secretary of State sought to involve the Government in the tactical handling of our November 1981 pay dispute; he intervened in our commercial negotiations with British Steel; he became involved in BL's relationship with its trade association, the Society of Motor Manufacturers and Traders; he opposed the appointment of an additional non-executive director to the BL Board; and he even queried

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tax avoidance.

the company's right to take its own commercial decisions in the field of [taxation.] The latter episode provoked me to write a letter to Patrick inviting him to ponder on the fundamental principles of the Government/BL relationship:-

"Does the Government wish to honour the letter and spirit of the Memorandum of Understanding [governing the relationship between the Government and BL] in requiring BL to act commercially or does it wish to qualify this by finding some means of stopping those commercial practices which it happens to dislike? The former course should help attract good and responsible management, but inevitably entails taking the rough with the smooth politically; the latter may succeed in avoiding political embarrassment but implies a degree of Government intervention in many fields (not just taxation) which would cause entrepreneurial managers to shun employment with a public sector company."

I shall return to this issue at the conclusion of this chapter. Regrettably, Whitehall is always subject to the temptation to want to run the industries which it owns, and the capacity of Chairmen to deter or fend off such interventions declines as the end of their term of office draws near. I am sure that Patrick Jenkin's learning curve, combined with the appointment of my successor, has brought the Government/BL relationship on these secondary commercial issues back on to an even keel. But the tensions caused by

of succession organization
plans

the change of approach in the latter half of 1981 made it very difficult to settle the broad strategy for the future. of BL after my departure - a process which absorbed ~~much of~~ ^{an colossal amount} my time and energy for well over a year.

In June of 1981, I proposed to Keith Joseph that we should split BL into two free standing companies, with two Boards; the Chief Executive of each ~~would be Ray Horrocks and David Andrews, and each~~ would be supported by a non-executive Chairman drawn from the existing BL Board. This would make the two groupings self sufficient and would thus be a logical extension of the delegation of authority which ~~had~~ ^{was progressively} ~~already been made~~ to my executive colleagues. It also provided greater insulation against major industrial disruption in one or other entity. This could well save half the company in the event of forced closure of one of the businesses.

also

The proposal had the great merit of spreading the top job across four broad shoulders - a technique which was in my view helpful if not vital to ensure ultimate recovery. It could not be right to continue to place an excessive burden on one man, now that the major painful actions had been driven through. At the same time, the proposal provided for the maximum possible continuity at the top of BL, which would be valued by our dealers, bankers and collaborative partners on whose confidence we depended.

Keith Joseph talked to colleagues, but there was no feedback. When Patrick Jenkin arrived, ^{some weeks later} I said that

succession was now an urgent matter. With little more than twelve months to go before I stepped down as Chairman, it was important to provide stability and avoid speculation.

He seemed to be unaware that this issue was on the table; *which was* ~~but~~ *his anxiety for* there were many issues requiring an incoming Secretary of State's attention.

but

~~Out~~ of these discussions it ~~also~~ emerged that we now had two separate concepts - Government were further heightening the priority they attached to privatisation, which was at odds with the objectives the Board was working to, objectives agreed only ten months before with the Chancellor and Keith Joseph - and which had been contained in the 1981 Plan approved by Parliament.

Indeed, as this debate started the 1982 Plan was already on the Secretary of State's desk, and with hindsight it seems odd that the 1982 Plan was allowed to go through the Cabinet as smoothly as it did, with the Board' objectives still intact. Our strategy clearly stated that we would bring in minority shareholdings in due course, but we would not sell off major parts of the business, ~~which are~~ *which are* persevered ~~which~~ *with* recovery as the main objective.

The 1982 Plan was consistent with the 1981 Plan in terms of funding needs as well as objectives, and the Government no doubt felt that in view of their 2-year funding commitment (in January 1981) they had little choice but to let it go ahead. But when in January 1982 I pressed for an answer to

my proposals for succession and organisation, the debate about objectives re-started in earnest. Although my proposals had been on the table for no less than seven months, Ministers now decided that they needed a second opinion from outside consultants, and they gave the consultants terms of reference which made it clear that the acid test of any future structure was whether it would inhibit privatisation.

The consultants' report recommended against the split into two companies, because it was felt that this would inhibit privatisation - an incredible conclusion which I have never understood. We felt that the opposite was the case!

Even more incredibly the report recommended that I should stay on as Chairman - incredible not only because it was my firm decision to go which had sparked off this whole debate, but also because they were questioning my judgement (and the Board's) on fundamental issues, and yet still believed that I should continue as Chairman!

The consultants argued that, if I did not stay on, BL needed a full-time Executive Chairman. I disagreed strongly, on the grounds that we now had the opportunity to move away from the excessive focus on BL and its Chairman, which was to the detriment of our individual ^{decentralised} operating and therefore the recovery of the company. The business was under tighter control ^{than} it had been for many years, and day to day running of the business had been properly devolved - there was no longer the need for a high-profile executive Chairman.

(Companies,

*working with our
Merchant Bank
adviser.*

When Ministers met to consider the consultants' report, they came no nearer to endorsing its organisational recommendations than they had come to approving my own proposals. Their attention concentrated instead on privatisation. The consultants' report had a nasty sting in its tail; en passant, it said that the only part of BL which was readily saleable was Land Rover. This was outside the consultants' remit, and indeed constituted a major commercial judgement based on limited experience and only four weeks of study. I had responded to it by agreeing with the Secretary of State to commission an internal BL study, to determine the full implications of selling Land Rover; to be sure we all knew the relevant facts. However, Ministers seized upon the consultants' throw-away line gratefully, without waiting for BL's in-depth study. Couldn't BL sell Land Rover quickly and thereby raise funds to obviate the need for the remaining £150m Government funding envisaged for 1983 and 1984 in the Corporate Plan? Several birds would thus be killed with one stone - and all before the next General Election.

*and the idea was debated at
the highest level, in Government.*

It was too good to be true. But it took three months of hard argument in a very tense atmosphere to show that this was not in any sense a realistic plan. On top of our own study which ~~showed~~ ^{showed} the impact (on the rest of the business) of the sale of Land Rover, we ~~had~~ ^{eventually} had to commission the services of two merchant banks to demonstrate that the proceeds of such a sale in the short term would not be sufficient to relieve the Government of any of our forecast funding requirement. This arose because of the cash flow BL would lose from the separation of Land Rover. Indeed, the Government would probably have faced additional funding requests because of the loss of synergy between Land Rover and other parts of the business, plus the adverse impact of such a sale on confidence in BL.

X
The Board also had the interests of our 80,000 minority shareholders to consider, as well as the understanding we had with our bankers that the business would be run on commercial lines - and that we wouldn't dispose of assets which provided security for ^{their} these loans to us! - and anyway we couldn't simply sell the business below book value, which is what was implied.

We could not of course depend solely on the negative side of the argument. We had to show that the continuing recovery of the business would make possible the ultimate return of all of BL to the private sector in a commercially sensible way. We also sketched out how we could make early progress towards this end by attracting private capital into our more profitable businesses.

As letters flashed backwards and forwards and meeting succeeded meeting on this issue, I feared for a long time that political dogma would overcome commercial sense and that Ministers would use the obvious means of imposing their will, by looking for a new Chairman from outside the Board who shared their ideals and would "do what he was told". However, it was clear that such a Chairman would be difficult to find and would be most unlikely to be of the calibre to command the loyalty of the Board and senior management of BL. Rumours of a Government short list reached me which made my hair stand on end.

Thankfully the weight of our argument ultimately prevailed. At a meeting between Patrick Jenkin and the BL Board on 6th July (for which the ground had been well prepared in advance by various informal contacts, particularly involving Jeffrey Sterling, a realistic and down to earth businessman recently appointed as Patrick Jenkin's special industrial adviser), a mutual understanding was reached. Ministers agreed that the Board's approach to privatisation was acceptable. We had not resorted to threats of resignation but had genuinely persuaded Ministers that ours was the more sensible course - and it is to the credit of Patrick Jenkin and his colleagues that they were open minded enough to be persuaded against their preferred course of action. The air had been cleared by the "peace treaty".

My relief at this conclusion was heightened by the outcome of the parallel discussions on succession and organisation. In order to concentrate on the fight against premature privatisation, we had decided not to press a reluctant Government on the case for a complete split into two companies. Ministers clearly felt uneasy about having two separate Boards reporting directly to them, understandably preferring a strategic overlay at the BL level which distanced them from any risk of operational involvement. Given, in addition, the financial and legal work which would be involved in a complete split, I could see their point of view, provided that the new Chairman was non-executive, so that Ray Horrocks and David Andrews would be free to develop the separate identities of their businesses. Patrick Jenkin readily agreed to this concept, and as we approached agreement on the privatisation issue the Government

*At Patrick Gendron's
request.*

specifically requested that one of the present Board should be prepared to take over the Chairmanship so that there would be continuity in implementing the agreed objectives.

This brought the wheel full circle, since one of my main aims at the outset of the debate had been to maximise continuity. I was ~~therefore~~ delighted to take on, and eventually succeed in, the task of persuading Austin Bide to accept the job, ~~(on behalf of the Secretary of State)~~ and Bob Hunt agreed to act as his Deputy Chairman. The pieces of the jigsaw had fallen into place. Although the long debate with the Government had delayed the announcement of the succession and organisational changes until 1st September, 1982, this was still quite well in advance of the normal last-minute appointments of public sector Chairmen. Even more important was the absence of any leaks to the press throughout the long period of argument with the Government, which was to the credit of Ministers and officials. Uncertainty amongst management about the succession issue was inevitable, and public exposure of debate about privatisation in its critical phase would have done great damage inside and outside the company. BL had been through one of its most serious crises without more than a handful of its employees fully realising it. As it was, there was some nervousness at my impending departure - not I think for any reason except the obvious one that uncertainty is not good for morale.

Can one draw any general conclusions from this wealth, indeed superabundance, of experience in dealing with Government? It is perhaps unwise to generalise from the unique situation of BL, but the experience has left me with a number of clear impressions.

First, my conviction has been heavily reinforced that Government should not own industry, except where absolutely necessary. Politics and business don't mix. Business cannot cope with changes of objectives in midstream, or with the shortness of political time-horizons. Politics, with its focus on the day to day events which catch the headlines, cannot cope with the ups and downs of a company like BL, generating pressures to intervene to which Ministers cannot and should not bow. Both politicians and businessman find involvement with each other time consuming and distracting from their more central tasks. They are generally not on the same wavelength.

Secondly, I had great sympathy with the Government in that its freedom of action in BL's case was almost zero. In the case of the traditional nationalised industry - the monopolistic utility - the Government can to some extent regulate the affairs of the industry, for example, ^{through} cash or pricing constraints, in line with its wider policy objectives, if it so wishes. But for a company in trouble within a highly competitive worldwide industry, there tends to be only one possible route to recovery which rests on a number of tricky commercial judgements, and which generates an inescapable level of external funding requirements. This is tantamount to stepping through a minefield, with but one benign pathway. The Government can never assemble the necessary expertise, experience and information to second-guess the Board's plans. Even its funding decisions are to all intents and purposes made for it. The only alternatives are to change the Board or to close the business. These were real alternatives in BL's case, but of course the one

would have been drastic and the other extremely expensive. To be constantly presented with 'all or nothing' decisions is extremely frustrating for any Government, and this combined with the day to day political pressures is bound to make the Government/company relationship an uneasy one.

Nevertheless, my third outstanding impression is of the high intellect, conscientiousness and flexibility of all the civil servants with whom I dealt during the five years. Even in the difficult year which followed Patrick Jenkin's appointment as Secretary of State, the BL/Government relationship still worked in practice because the key people in Whitehall made up in intellectual skill what they lacked in managerial experience - and were prepared to make ~~heavy~~ use of informal channels of communication to help us through our difficulties, rather than resting ^{solely} on the formal procedures for monitoring and approval set out in our (now published) Memorandum of Understanding. Because the borderline between the Government's and the management's preserve in the state-owned industries can never be absolutely clear, there was inevitably the occasional disagreement over what BL saw as an unwarranted intervention, but the pressures on civil servants answerable for large sums of public money were understandable.

Also important was their willingness during our battles with both Governments to interpret their constitutional duty to Ministers in its widest sense - not blind loyalty, but a constructive desire to find a way through to a result which was commercially as well as politically sensible.

My fourth conclusion is in slight contrast to the first two, and deals with a subject that I touched on at the beginning of the book.

There is a tendency for managers and workforce in the public sector to relax the normal commercial disciplines. The mere fact of Government standing behind a company has this effect. My BL experience, however, leads me to the view that is ~~is~~ a simple admission of management failure to allow discipline to go by the Board merely because a company is state-owned.

Competition proved a considerable spur once an ~~entrepreneurial~~ ^{but} ethos was ~~was~~ established at BL, and even in more monopolistic organisations people always want to be seen to perform well and are ^{is} this capable of being stimulated into action if they see tangible fruits coming from their labours. ^{Sound or} No manager should be let off the hook simply because ^{a manager} he is in the public sector. Similarly, the dramatic improvement ^{BL can} in productivity in ~~the cars~~ business over the last two years shows what a public sector workforce can do when led by properly motivated and confident management. ~~We did~~ not allow Government funding to weaken management's hand in driving through ^{drastic} these changes. The more serious problem in dealing with Government ^{in our experience was} is ~~no the~~ effect on attitudes and motivation but simply the danger that top management ^{would} will become distracted from its internal tasks by the burden of meeting Government's political and bureaucratic requirements. By concentrating our dealings with Government on a small group of people in BL headquarters, we tried to minimise this, but I was on many occasions concerned at the amount of valuable Board time which was absorbed by Government issues. This left ^{while companies are controlled by the State there} insufficient time to be outward looking. ^{There} is no ready solution to this - one can only be vigilant to the danger, and hope that politicians will become increasingly aware of this impact. *Indeed this is one of the objectives of this book.*

It is the public sector made it more difficult to act on the market but they collected and forgot to agree with the market and they should

Finally, I believe that ^{all} these factors point to the need for Government to subordinate ~~all~~ other concerns about public sector industries to the absolute priority of recruiting and keeping high calibre Chairmen, and Boards, to run these industries - since this will be the chief determinant of success or failure. This means paying the going rate in the business world and allowing very great freedom of action to these Boards. Neither of these precepts is easy to follow politically; and this course of action does not guarantee success, since sometimes the crucial choice of Chairman or senior executives will turn out to have been ~~w~~ wrong. But it is surely better to take the risk (and when necessary change the man!) than to perpetuate the mess which has been made of the British Government's ownership of industry over the last twenty years.

Here I must pay tribute to Mrs Thatcher. At no stage did she show the slightest inclination to interfere in our . . . employee relations issues; even when we were in a crisis I had complete confidence that she would stand back and quite properly let us wrestle with the problem. Some of her lieutenants might have wanted to second-guess us on these occasions - but never the Prime Minister. She knew that our credibility would quickly erode if Government engaged in the commercial jungle that was ours to oversee.

Next to the funds, which she made available (however reluctantly) the key factor in giving BL a fighting chance was that Government should give us the space, the headroom, to resolve our employee problems. This she did, with no reluctance whatever.

Given the right Board, let them get on with the job - let them fight their corner without let or hindrance. And that can mean having to listen to the appointees voicing their concern about Government policy! Not an easy thing for Ministers to live with, even in a democratic society!