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c: Mr Turnbull  
(For information)

MR REDWOOD

*File*

BL

In my judgement, the review now in process of the BL Corporate Plan could very well lead to confrontation between the BL Board and Government. There are at least four opportunities:

1. Last week E(A) rejected the Board's wish to retain a controlling minority stake in the privatised Jaguar.
2. Within the next 2-3 weeks, Ministers will need to decide whether to back the Board's view over Leyland Vehicles. To put it briefly, the Board wish to close Bathgate but to soldier on with the rest of the operation, even though it would continue to lose money into and beyond 1988. DTI, Treasury and Policy Unit are at one in rejecting the Board's view, and will recommend either closure or disposal.
3. To complicate matters, we shall also be recommending separate treatment of Land Rover and Leyland Vehicles. This, too, runs counter to the wishes of the Board, who would much prefer to deal with Land Rover Leyland as one lump.
4. Finally, and looking some weeks further ahead, there is scope for vehement disagreement over the plans for Austin Rover - in particular over whether a less ambitious model programme, leading to better cash flow, could in turn lead to earlier privatisation.

The plan which the BL Board have put up bears all the hallmarks of an exercise carried out largely by operating executives with a vested interest in the status quo. I cannot imagine that it was thoroughly probed by the non executive directors. Such a plan should prompt Government to ask whether the structure and membership of the BL Board is appropriate to the company's current and impending problems (my Annex details the current team of four non executives and two executives). It does not seem to be getting to grips with the problems which the Edwardes era overlooked - the slide of the truck business as a whole, and the near total failure of Austin Rover and Land Rover to find new markets.

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If my anxieties about impending confrontation prove well founded, what should we do? I would suggest nothing before Ministers debate Leyland Vehicles. But at that debate we should not duck the right commercial decisions for fear of crossing the BL Board. There will be a hint of this in DTI arguments. If Ministers choose to reject the BL Board's recommendations for Leyland Vehicles, it seems to me that a fireside chat between (say) the Prime Minister, Mr Tebbit and Sir Austin Bide might be a tactful way (a) of spelling out Government's wider unease about BL's performance and (b) of notifying the rejection of the plan for Leyland Vehicles. DTI might well find difficulty in reconciling their traditional notions of industry sponsorship with delivering such a message to BL. They ought to welcome help in getting it across.

R.Y.

ROBERT YOUNG

22 February 1984

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BL PLC BOARD

Non executive members:

Sir Austin Bide - Chairman of BL PLC.

Chairman of Glaxo, Appointed to BL Board in 1977,  
Deputy Chairman under Michael Edwardes 1980, Chairman  
since 1983. Chemist by background.

Sir Robert Clark - Chairman of Hill Samuel, Director of  
BL since 1977. Banker by background.

Sir Robert Hunt - Chairman of Dowty, Director of BL since  
1982. Mechanical/aeronautical engineer by background.

Sir John Mayhew-Sanders - Chairman of John Brown, Director  
of BL since 1982. Chartered Accountant by background.

Executive Members

David Andrews - Chairman of Land Rover Leyland Group since  
1982. With BL since 1969, Ford and Pirelli before that.

Ray Horrocks - Chairman of Cars Group since 1982. With BL  
since 1978, and Eaton, Ford and retail stores before that.