

P.01288

PRIME MINISTERLeyland Trucks: The Timing of Announcements

BACKGROUND

On 4 April, the Ministerial Sub-Committee on Economic Affairs broadly approved a new strategy for Leyland Trucks put forward by the British Leyland (BL) Board (E(A)(84)10th Meeting). The Sub-Committee did not however take a final decision about the future of the Bathgate truck plant, which is scheduled for closure at the end of this year under the strategy.

FLAG E

2. Formally the position, as recorded in the minutes, is that the Sub-Committee will resume discussion of Bathgate in the Summer in the light of the whole BL Corporate Plan, unless problems emerge in the meantime. However, it was understood at the meeting that the closure of Bathgate was unavoidable. The only issue was when an announcement should be made; and the minutes reflect the desire of the Secretary of State for Scotland to postpone the announcement till mid-June, after the elections to the European Parliament.

FLAG F

3. In his minute of 1 May 1984, the Secretary of State for Trade and Industry argues that an earlier announcement is necessary. At E(A)(84)10th Meeting, the Sub-Committee agreed that Jaguar should be privatised, by means of a flotation on 24 July. Mr Tebbit has now been advised that the BL Board must have Government approval for the whole BL Corporate Plan before it can dispose of Jaguar; if not, it would risk breaching Stock Exchange requirements. As explained in his minute of 9 ^{May} ~~March~~, that approval is required this week to keep the Jaguar flotation on schedule. Once the Corporate Plan is approved, the closure at Bathgate will have to be announced. Provisional arrangements are being made for an announcement on Tuesday 22 May 1984.

FLAG G

4. You discussed the timing of the closure announcement last week with Mr Tebbit and Mr Younger. Our understanding is that



Mr Younger appreciates the case for an earlier announcement than he would have liked. But he is concerned about an announcement so soon after the Scottish Party Conference and before the European elections. He is anxious for the Sub-Committee to consider the closure announcement formally and to be fully aware of the economic and political implications of another major plant closure in Scotland, particularly at a time of troubled industrial relations notably at Ravenscraig. But we understand he will not oppose a closure announcement next week.

MAIN ISSUE

5. The issue is:

are the Sub-Committee content to approve announcement early next week of the closure of the Bathgate truck plant?

6. The Sub-Committee will not wish to reopen the question of the closure itself; at E(A)(84)10th Meeting, it was accepted that there was no alternative.

7. The sale of Jaguar cannot proceed on schedule without immediate approval of the BL Corporate Plan; that in turn makes the announcement of the closure at Bathgate unavoidable. It is not disputed that if the flotation is delayed beyond 24 July, there is a high risk that it will have to be postponed till next year, in order to make room for the more important flotation of British Telecom in the Autumn.

8. The Sub-Committee will therefore need to decide whether the political gains from delaying the announcement outweigh the high risk of losing the privatisation of Jaguar this Summer and consequent disruption of the privatisation programme. In reaching their decision, the Sub-Committee will wish to take into account the current sensitive state of industrial relations in Scotland.



9. If the Sub-Committee approve the closure announcement, you will wish to stress the need for avoiding any leak beforehand. A leak this week would be highly embarrassing for Mr Younger; it seems that a Scottish Office Minister said at the Scottish Party Conference that no decision on Bathgate had yet been reached. He considers a minimum interval of ten days is necessary before the announcement in order to avoid political embarrassment.

Equity Injection for BL

10. There is a separate dispute between Mr Tebbit and the Chancellor of the Exchequer about whether the decision reached at E(A)(84)10th Meeting, that BL should not receive a £110 million equity injection previously earmarked for the company, should be announced at the same time. We understand however that Mr Lawson will not press for this to be announced next week. If this question is raised you may like to suggest that the Ministers concerned should resolve the matter between themselves.

HANDLING

11. You will wish to ask the Minister of State, Department of Trade and Industry (Mr Lamont) to make the case for an announcement of the Bathgate closure next week. You will wish to invite the Secretary of State for Scotland to reply. The Chancellor of the Exchequer may also wish to comment.

CONCLUSIONS

12. You will wish the Sub-Committee to reach conclusions on the following:

- whether the Government should announce early next week the intention to close the Bathgate truck plant.

RG

P L GREGSON

15 May 1984

Not so.
Mr Lawson
is pressing
for a statement
on BL's
renunciation
of the £110 million
- See Flag H

H H



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From the Minister of State for Industry

NORMAN LAMONT MP

CONFIDENTIAL

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
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15 May 1984

Dear Andrew,

LEYLAND TRUCKS: CLOSURE OF BATHGATE

E(A) is looking at the timing of the announcement tomorrow, and we feel they should also have an opportunity to consider a politically related presentational point on what is said at the same time on overall Government funding for BL.

I attach copies of an exchange of letters between Mr Tebbit and Mr Lawson setting out the problem, which E(A) remitted to them on 4 April. It is essentially a presentational one about what should be said publicly, as the BL Board accept privately that they can have no expectation of asking for any part of the outstanding £110m.

The main difficulties we see in the course proposed in the Chancellor's letter are:

- (i) since the BL Board proposed the closure of Bathgate to us in December they have frozen investment there. The Government's opponents and the workforce have argued that the withholding of this £6m of investment funds is imperiling Bathgate's future. It will be much more difficult to win the argument that the closure is due to economic non-viability, not lack of finance, if we announce at the same time the withdrawal of finance previously held out as available if needed.
- (ii) it is very doubtful in the circumstances whether the Board will agree at this stage publicly to relinquish their "claim" on the £110m. They will have in mind, for instance,



the very slight chance that market conditions might make the Jaguar flotation in July impossible. The formula at the end of the Chancellor's letter would be much less politically attractive if it had to be in terms of a Government withdrawal of funds.

For these reasons we feel that the Prime Minister may want E(A) to consider whether the advantages of an announcement on the outstanding £110m do indeed outweigh the risk of complicating the handling of the announcement of the closure of Bathgate, which will be exceedingly difficult in Scottish, economic and political terms.

I am sending copies of this letter and attachments to the Private Secretaries to the members of E(A) and to the Secretary of the Cabinet.

Yours ever,

Kate Rhind

KATE RHIND
Private Secretary