



Chancellor of the Duchy of Lancaster

*18 mths  
run down*

PRIME MINISTER

BRITISH LEYLAND CORPORATE PLAN - NEED FOR ADDITIONAL FINANCE

*In CCN Meeting folder*

The correspondence just circulated about Bathgate includes a letter of 8 May from Norman Tebbit to Nigel Lawson in which it is stated that BL:

"will need to borrow commercially as well as maintaining its existing borrowing facilities."

Much the same point but in the context of Austin Rover was made in paragraph 5 of Norman Tebbit's memorandum of 9 May when he said that:

"part of the finance necessary .... is planned to be raised by further borrowing, against the Varley-Marshall assurances (effectively on Government credit) ...."

Now that the published accounts of BL for the year to 31 December 1983 are available, there would seem to be no need for such additional finance and I believe we should firmly say that it will not be forthcoming.

The published accounts show that, contrary to what is contained in the Corporate Plan, the total cash outflow for 1983 amounted to only £105 m against the £205 m given in the Corporate Plan. For 1984, the Corporate Plan shows a cash outflow of £95 m, for 1985 £100 m and for 1986 £9 m. Against this, BL still have £110 m outstanding from the 1981 and 1983 commitments, and they propose retaining the £250 m or so from the sale of Jaguar. If the £110 m is set off against the £250 m this still leaves BL with £140 m which would cover them for 1984 and for nearly half their stated requirement for 1985 as well. Quite apart from the fact that the accounts show that the Corporate Plan greatly



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overstated BL's need for money, with some economy they should be able to get through without either the £110 m or additional loan finance. The past history shows that they will need to be told so firmly: otherwise we will be faced with a claim that we have agreed.

I am copying this to other members of E(A) and Sir Robert Armstrong.

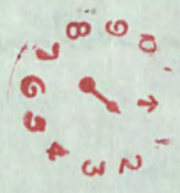
A.C.

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16 May 1984



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