



From the Minister of State for Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5186  
GTN 215 .....  
(Switchboard) 215 7877

*V/R with response added  
AT 4/12*

Norman Lamont MP

CONFIDENTIAL

Andrew Turnbull Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
LONDON  
SW1

4 December 1984

*Dear Andrew*

AUSTIN ROVER

Thank you for your letter of 19 November.

Mr Lamont has not himself discussed the possible organisational changes with Sir Austin Bide or Mr Horrocks. Such matters are ones into which the Department would not normally enquire, since they are very much within the commercial responsibilities of the Board. Nonetheless, in view of the concerns expressed by the Prime Minister, he asked officials in this Department to obtain a highly confidential account of the proposed changes and the reasons for them. I should stress that at this stage no final decision has been taken, and at present only a very limited number of people within BL know of the changes under consideration.

At present executive responsibilities on the BL Board are divided between the two managing directors, Mr Andrew Barr and Mr Mark Snowdon. Mr Barr has responsibility for product engineering and manufacturing; Mr Snowdon for product planning and sales and marketing. Recent studies by Austin Rover have identified two key weaknesses which have contributed to the company's failure to achieve its target market share. One is quality, which despite recent improvements is still below target. To address this it is proposed to expand Mr Barr's responsibility for manufacturing to give a special emphasis at Board level to quality. The second weakness is in sales and marketing. To address this, it is proposed to raise to the Board the present

1TUAHX



sales and marketing director, Mr Trevor Taylor, who would take over those responsibilities at Board level from Mr Snowdon. To allow Mr Barr time for his increased work on quality, and to equalise the loading of directors, responsibility for product engineering would pass from Mr Barr to Mr Snowdon.

The account we have obtained suggests that the proposed changes would not have the undesirable effects the Prime Minister fears. First, the practical constraints of the computer aided engineering system within Austin Rover are such that each discipline can only achieve its own objectives by cooperating fully with the other disciplines involved. Second, the level at which responsibilities for product engineering and manufacturing converge has moved up one level. If there are any conflicts between the priorities of different disciplines, Mr Musgrove would be at least as capable of resolving them as Mr Barr.

As is often the case with transfers of responsibility in a Board comprising able and ambitious people, these proposed changes have not been universally welcomed by those concerned. Mr Lamont however has great respect for Mr Musgrove's judgement and knows him to be fully aware of the importance of keeping in the van of technological developments in the industry. In Mr Lamont's opinion, he would not introduce any changes which would threaten Austin Rover's position in that respect.

A copy of this letter goes to David Peretz (Treasury)

Your sincerely  
Edmund Hosker

E N R HOSKER  
Private Secretary

1TUAHX