

PRIME MINISTER8 April 1986GM AND LAND ROVER

When before Easter Paul Channon announced the ending of the GM talks, he repeatedly explained that the GM terms were unacceptable to Government because GM were insisting on effective control of the company from the outset, and an assurance of full ownership within a relatively short period. He also said (column 795 of Hansard, attached) that the Government were always ready to consider fresh proposals from GM. GM are now tentatively exploring whether the deal that was suddenly aborted at the last moment in March could now be achieved away from the public spotlight.

The proposal is for GM to take 48% of the voting rights in Land Rover and some 73% of the economic interest. British investors - such as JCB - would also take 48% of the voting rights, with the remaining 4% being held by neutral parties as yet to be determined. This structure would remain in force until vehicle sales had increased by roughly 50% from today's levels. At that point (which might never be reached) GM would be allowed to take control and buy out the other shareholders. And even then Land Rover might be floated. No dividends would be paid on the bulk of the equity until the 50% sales increase had been achieved, instead the money would be reinvested in modernising the facilities and expanding the business. (The initial proposals also give GM the options to take control in 1992, but they already know that such a term would be unacceptable to the Government.)

If a deal on these terms could be negotiated it would mean GM would not get effective control from the outset nor would it guarantee them ultimate ownership. Such terms would be wholly consistent with what PC said in the House. Indeed



far from being a further U-turn on BL, it would be a triumph for Britain over a major multi-national: GM would have returned and done business on our publicly stated terms. (For GM's part their face would be saved by securing an involvement in Land Rover).

Given the history of his dealings on BL, PC, unsurprisingly, is timid about pursuing such discussions. But the dangers are not all one way; GM have said that if the deal cannot be done then they will start taking the steps towards the staged closure of Bedford. First announcements could be in a matter of weeks and certainly before the summer recess. It will be impossible to avoid the linkage between the collapse of the talks and Bedford closure; the pressure on DTI will be intense.

If GM leak (as they might do) that they were prepared to meet the Government's stated pre-conditions, but were rebuffed despite PC's commitment to consider such proposals, then the position might become difficult to sustain.

The Times published a leader on Monday (attached) suggesting we should return to the 'second chance saloon': this must surely be right. Many MPs were prepared (after the event) to say what a good idea the GM deal would have been. For so long as these politically difficult issues are not grasped, criticism of our industrial policy can only mount.

The talks will require very careful handling to maintain secrecy and avoid premature commitment. It would be best if only Graham Day and the two or three DTI officials already dealing with the issue are involved. If possible a meeting of MISC 126 should be avoided until there is a worthwhile detailed proposal for it to consider.



Recommendation

Talks with GM hold out the chance of establishing a sensible industrial policy, saving Bedford Trucks and avoiding continuing subsidy for Leyland. No U-turn is involved, rather a vindication of PC's negotiating stance and his statement to the House. Given the prospective closure of Bedford and the commitment to consider new proposals, failure to pursue these talks would be most dangerous.

We strongly recommend that secret talks without commitment should be restarted, and that an early bilateral should be held with PC.

Peter Warry

PETER WARRY



## British Leyland

3.31 pm

**The Secretary of State for Trade and Industry and President of the Board of Trade (Mr. Paul Channon):** As the House is aware, BL and the Government have been in discussion with several companies about the privatisation of the main Land Rover-Leyland businesses. Of these, General Motors have made proposals concerning Leyland Trucks, Freight Rover and Land Rover.

In relation to the truck and van sectors, the talks with GM concentrated on the possibilities for combining the respective Leyland and Bedford businesses, to the mutual benefit of GM and BL. In respect of Land Rover, where there are opportunities for Land Rover in expanding European and world markets, the Government were determined that, as a condition of privatisation, special arrangements should be concluded to safeguard UK interests, including a measure of real UK control over the future of the business. For its part, however, GM wished to have effective control of the company from the outset and an assurance of full ownership and control within a relatively short period, and it became clear that it was not able to compromise on these points. Despite the view taken of the GM proposal by the BL board from its commercial standpoint, this was not a basis for an agreement acceptable to the Government in the national interest.

GM has stated that it is not willing to proceed with an arrangement for Leyland Trucks and Freight Rover which excludes the Land Rover company. Therefore the talks have been ended.

The BL board will give further study to the alternative ways forward for all the businesses concerned. For Leyland Trucks, which operates in a depressed and fiercely competitive market, the board will continue to examine the possibilities for collaboration with other manufacturers and other ways to sustain its improving trend in performance. The Government continue to support the commercial development of this business, in accordance with established plans. For Land Rover and Freight Rover, the board will include in its examination the various expressions of interest which have already been announced, with a view to recommending the course most likely to achieve the privatisation of the businesses in a way which best secures their future.

**Mr. John Smith (Monklands, East):** Does the Secretary of State recognise that he has today announced the collapse of a venture that was ill-conceived in purpose, anti-British in effect and handled with almost unbelievable incompetence? Now that the Secretary of State has confirmed the ending of the talks, can he say that this is the final end of this discredited proposal? Can we exclude any notion of selling valuable parts of British Leyland to its competitors?

The Secretary of State will also no doubt recollect that only a few weeks ago he was standing at the Dispatch Box stating confidently that assurances could be given by General Motors to satisfy all United Kingdom interests. He was insisting on a sharp deadline for the submission of bids, so urgent was the matter that had to be determined.

Is it the case that, in the discussions that have just ended, the Government at one stage proposed that General Motors acquire 49 per cent. of Land Rover, with an option

to increase its shareholding as time, and no doubt public opinion, passed on? What was the role of the Chancellor of the Duchy of Lancaster in those discussions? Is it not the case that he initiated the secret talks 18 months ago? Despite that, did he not elbow the Secretary of State aside in those discussions and, fearful of the political consequences of what he had initially proposed, bring the talks to an end?

Can we now be assured by the Secretary of State that there will be no question, during the lifetime of the Government, of Land Rover or any other part of the British Leyland Group passing out of British control? Is the Secretary of State aware that it is only the strongly expressed voice of Parliament and people that forced the Government to change direction on this issue?

Will the Government now consider apologising to the British Leyland group for the damaging commercial uncertainty which this whole affair has cost them, including the damage to the Austin Rover group caused by the Ford talks, which were also brought to an end by the voice of Parliament and people? Do the Government realise that, in hanging a "for sale" notice over the premises, they have been culpably negligent in their stewardship of a crucial part of British industry?

The Secretary of State says that the Government will continue to support the commercial development of Leyland Trucks in accordance with established plans. Since it is the established plans which have led us to this pass, is it not time to revise them? Can I suggest that the Government, for once, give proper backing to Leyland Trucks? Why do they not compliment it on its commercial success and stand behind it? Can the Secretary of State tell me whether it is true that the British Leyland board stopped the Austin Rover group putting advertisements in the British newspapers about the success of its ambitions because they ran contrary to the Government's then policy? I should like the Secretary of State to give me a specific answer to that question.

I have one final question to put to the Secretary of State. Since we are now in a fast-moving situation, can the House be given an assurance that there will be no further announcement about any sale of British Leyland before the House returns from the Easter recess? Can we be assured that, before any further moves are made, there will be a full debate in the House so that hon. Members in all parts of the House can express their opinions upon it?

**Mr. Channon:** I have seldom, if ever, heard a more exaggerated set of questions than that. I shall deal with the points the right hon. and learned Gentleman has raised in his exaggerated questions. I can assure him that no decisions will be taken about any of these matters before the House returns from the Easter recess. As to the question of a debate, my right hon. Friend the Leader of the House has already told the House the Government's position on that, and it remains unchanged.

As to the other questions raised by the right hon. and learned Gentleman, I have always made it clear to the House, at least I hope I have, that we wanted adequate assurances before we would be prepared to sell Land Rover to General Motors. There might have been a compromise. That is certainly something that was discussed. But it was quite impossible to reach a situation in which General Motors insisted on having effective control of the company and an assurance of full ownership



and control within a relatively short period. I could not recommend that to my colleagues or the House, and I think that that was right.

We shall continue with the established plans for trucks, which are already known. I hope that the BL board will now be considering all the options available to it, and will make recommendations to me. The Government will then consider them in the normal way.

**Mr. Robert Atkins** (South Ribble): Is my right hon. Friend aware that the fact that GM has pulled out means that Leyland Trucks, with its successful recent record in terms of its product, price and market share, will now need further investment from the Government and the taxpayer, just as other successful companies, such as British Aerospace have merited and gained such investment in recent years. Might not the partisan and short-sighted barrage of questions and statements from the Opposition have done more harm to the future and jobs of those working in Leyland Trucks than GM could ever do? Will my right hon. Friend resist the suggestion to hold an urgent debate on British Leyland, as that will do nothing more than exacerbate the problems which he is trying so hard to resolve?

**Mr. Channon:** I have already said that the Government will continue to support the commercial development of the truck business in accordance with the established plans. Of course the future of Leyland Trucks will be a matter for the board to consider in the normal way, and it will also come forward with proposals in the normal way. At present, there is no suggestion of any further equity being needed for Leyland Trucks or any other part of the Leyland business.

I cannot see any purpose in holding a debate until we have something to debate and until I have recommendations to put to the House.

**Mr. David Steel** (Tweeddale, Ettrick and Lauderdale): Does the Secretary of State agree that GM has a legitimate grievance in that, when it was first propositioned by his predecessor—now the chairman of the Conservative Party—in mid-1984, to take over the whole lot, no such conditions were attached to his eagerness to be rid of British Leyland's commercial vehicles? Conditions have been imposed only as a result of quite proper pressure in the House during the past few weeks. Does the right hon. Gentleman understand that representations are being made by Austin Rover retailers, because the damaging uncertainty hanging over the future of British Leyland as a whole is affecting showroom sales? Will he make it his business to restore calm in the future of BL as soon as possible?

**Mr. Channon:** My right hon. Friend the Chancellor of the Duchy of Lancaster publicly sought would-be buyers, as was made clear to the House some time ago. General Motors' original interest arose out of talks about mutual problems over trucks. It was always clear from the start that any interest in Land Rover/Range Rover might raise such difficulties.

I think that the whole House would like to pay tribute to Austin Rover's progress, and to congratulate the company on its increasing exports—[AN HON. MEMBER: "Then why flog it?"]—particularly to Europe. I am surprised that the Labour party does not seem to want to hear this part of my answer. In 1985, exports increased

by 10 per cent. over the figure for 1984, and in the first three months of 1986, they are 35 per cent. up on the same period in 1985. The new Rover 800 executive car has excellent export prospects, and I hope that it will spearhead Austin Rover's re-entry into the American market.

**Mr. Michael Heseltine** (Henley): Does my right hon. Friend agree that the bus and truck industries of Britain and Europe now have huge excess capacity? When judging the board's recommendations, what criteria will he have in mind in determining a strategy that will protect British interests?

**Mr. John Carlisle** (Luton, North): Re-rat.

**Mr. Channon:** I agree that there is a huge excess capacity in the truck and bus business throughout western Europe. We will all have to consider that factor carefully. Indeed, the board of BL will have to consider it carefully in recommending a future course of action to me.

I shall ensure that all relevant factors are put before me before I make recommendations.

**Mr. Michael Foot** (Blaenau Gwent) *rose*—

**Mr. Tam Dalyell** (Linlithgow): On a point of order, Mr. Speaker. As one who has been had up for unparliamentary language, may I ask whether it is in order for an hon. Member to call another hon. Member a rat?

**Mr. Speaker:** I heard no such—

*Several Hon. Members indicated dissent.*

**Mr. Speaker:** Order. If an hon. member said that, I would ask him to withdraw it, but I—[*Interruption.*] Order. I repeat what I said yesterday. Let us keep our parliamentary language on a high and traditional level.

**Mr. Foot:** When did the Minister and the Government make the remarkable discovery that it was the desire and determination of General Motors to take over the whole business?

**Mr. Channon:** It was always clear that General Motors wanted to take over the whole business. What I have told the House is that we wished to see whether a compromise could be found that was acceptable to all the parties concerned. No compromise was found; therefore, the talks were broken off.

**Mr. Richard Page** (Hertfordshire, South-West): Would my right hon. Friend not agree that the breakdown of the talks is bad news for General Motors and for British Leyland? Would he not accept that the misplaced jingoism of the past four weeks was started by the right hon. and learned Member for Monklands, East (Mr. Smith) with his intemperate private notice question of 3 February? Will my right hon. Friend make sure that the extra redundancies that there will be, and the extra demands for taxpayers' money, are laid firmly on the doorstep of Opposition Members?

**Mr. Channon:** It would not be right for me to speculate on the effect on General Motors. As to the effects on the British Leyland subsidiaries, I am sure that I will be able to bring to the House proposals made to me by the BL board that will offer them a secure future.

**Mr. Terry Davis** (Birmingham, Hodge Hill): In the light of his statement, will the right hon. Gentleman



[Mr. Terry Davis]

confirm that the talks broke down over Land Rover and that the Government were willing to see Freight Rover taken over by General Motors, with a consequent loss of 1,700 jobs in Birmingham?

**Mr. Channon:** The consequence that the hon. Gentleman suggests would not necessarily follow.

**Mr. John David Taylor (Strangford):** Is my right hon. Friend aware that the Land Rover management buy-out team has received no more than an acknowledgment of the proposals that it made three weeks ago? Is it not time that my right hon. Friend asked Hill Samuel and the Department of Trade and Industry to start talking to Schroder about the buy-out and to make some progress?

**Mr. Channon:** With respect to my right hon. Friend, he is not quite right about that. I have myself had two long meetings with Mr. Andrews and his colleagues, and I understand that they had a meeting with Hill Samuel that finished only recently; so talks are in progress, and all those matters are being fully studied.

**Mr. George Park (Coventry, North-East):** Will the Secretary of State now answer the question asked by my right hon. and learned Friend the Member for Monklands, East (Mr. Smith), and acknowledge the damage done to BL by the abortive negotiations? Will he abandon plans to fragment BL, and allow it to make progress of the kind that he himself has just referred to?

**Mr. Channon:** I do not want to do that, and I will not do so. I do not acknowledge what the hon. Gentleman says. Anyone who says that it is wrong to sell off constituent parts of BL should reflect on the success of Jaguar before he eats his words.

**Mr. David Madel (Bedfordshire, South-West):** Will my right hon. Friend confirm that, if negotiations between British Leyland and General Motors had been successful, General Motors would have made this country the centre of its European commercial vehicles operation, and that that would have been of great benefit to this country, bringing new investment and new employment? Given the concern of those who work in Bedford Commercial Vehicles, can my right hon. Friend impress upon General Motors the importance of GM continuing to manufacture commercial vehicles in Bedfordshire to sustain employment there?

**Mr. Channon:** On the latter part of that question, I am certain that it must be very much in the interests of all concerned that that should be the case. I share my hon. Friend's view of the matter. The first part of his question is a matter for General Motors, but I have certainly heard the suggestion made.

**Mr. Jeff Rooker (Birmingham, Perry Barr):** Is it right that the main board of British Leyland should continue to have only two executive directors? Will the Secretary of State assure the House that there will be no victimisation of any executive manager of BL who has opposed all or any part of this package which has been approved by the main board members, not all of whom are successful business men?

**Mr. Channon:** The House knows that a new chairman of the BL board is to take over in the next few weeks. He will no doubt wish to consider the composition of the

board. I shall ask him to look at the hon. Gentleman's point, which is a very good one. I shall also ensure—although I am sure that there is no question of it, anyway—that there is no victimisation.

**Mr. Hal Miller (Bromsgrove):** In the light of the Opposition crowing in their isolationist joy about turning away much-needed investment in our truck and commercial vehicle industry, will my right hon. Friend tell the House, as a result of the developments that he has announced today, what discussions he has had with General Motors about keeping the design and development of commercial vehicles in this country and what future he envisages for the commercial vehicle industry now that Ford have joined up with Iveco and General Motors will be forced to consider alternatives?

**Mr. Channon:** Of course I agree with my hon. Friend about the wholly hypocritical attitude of the Labour party. First it was against the deal; now it complains because it is over. That is absolutely typical of its attitude. I have not had discussions with General Motors about the second part of my hon. Friend's question. That is a matter for General Motors, but it is a very important question. I very much hope that General Motors will continue to play such a role in this country.

**Mr. D. N. Campbell-Savours (Workington):** Has the Laird Group withdrawn its offer and proposals for the future of Leyland Bus, which would have meant the closure of the Workington plant? And what is the status of the discussions with Aveling Barford, which is visiting the Workington plant today?

**Mr. Channon:** No, I do not think that it has withdrawn its proposals. Aveling Barford has also made other proposals. The BL board will consider those and any other proposals that are put to it, including management proposals, if any are made, and will make recommendations to me in the course, I hope, of the next few weeks.

**Mr. Graham Bright (Luton, South):** Is my right hon. Friend not aware that this decision has cast an enormous question mark over the future of Bedford trucks and that the opportunity for General Motors to make this country the centre of its research, development and design for the whole of Europe has been blown? If GM does negotiate with Renault trucks or Volvo—we know that it is talking to them—those skills will be lost to Europe. That is exactly what we should be trying to stop. The GM deal would have enabled this country to have a proper truck manufacturing operation. The people of Luton and Bedfordshire will feel that this chance has been blown.

**Mr. Channon:** I very much hope that my hon. Friend's views will not be justified. I have no reason to assume that they will be justified. I am sure that GM will look carefully at all the alternative ways forward for the Bedford business, which I agree is extremely important for Britain and, I should have thought, for General Motors.

**Mr. Ian Wrigglesworth (Stockton, South):** Is the Secretary of State aware that his statement that a condition of the privatisation of Land Rover should be that it is retained in United Kingdom ownership is very welcome? However, is he also aware that the uncertainty is very damaging not only to this business but also to the volume car business? Will he seek to bring the discussions,



particularly the management buy-out proposals of Mr. Andrews, to an early conclusion so that the uncertainty can be cleared up?

**Mr. Channon:** I thank the hon. Gentleman for his support in the first part of his question. I agree with him that it would be helpful if these matters could be brought to a conclusion in the reasonably near future.

**Mr. Phillip Oppenheim (Amber Valley):** Is my right hon. Friend aware that seven heavy truck manufacturers are still based in Britain, none of which exports substantially to Europe, but that, on the other hand, the whole of western Europe has only seven heavy truck manufacturers, all of which export substantially to Britain? Have we not lost a great opportunity to restructure the British truck industry? Will not GM now run off and make a deal with one of our European competitors? Is it not the Labour party that is wholly to blame, for trying to pull the Union Jack over the eyes of the voters?

**Mr. Channon:** I have never disguised from the House the fact that, if a satisfactory deal with General Motors had been worked out, it would have had many advantages. It is not possible to achieve that deal. We shall have to work on other solutions, and I hope we shall find a satisfactory one.

**Mr. Andrew Faulds (Warley, East)** Is not the lesson of this unhappy episode that the Government must never again try deceptively and surreptitiously, behind the back of the British public and behind the back of Parliament to dispose of such a vital part — [AN HON. MEMBER: "What role are you playing?"] — I am trying to protect British interests — to dispose of a vital part of British industry. Is it not true that this rotten manoeuvre was aborted only by the brilliant intervention of my right hon. and learned Friend the Member for Monklands, East (Mr. Smith)?

**Mr. Channon:** I refute entirely the allegation that the Government behaved deceptively. If the Opposition are seriously suggesting that all negotiations should be carried out in public, they will have a heavy price to pay.

**Sir Paul Bryan (Boothferry):** Since the most successful part of the motor industry in Britain is owned by the Americans and will probably shortly be owned by Nissan, what is wrong with Land Rover being owned by the Americans if they produce a better product?

**Mr. Channon:** I judged that it was right, and that it would receive the support of the House, if we could get a deal with General Motors on which there could be a compromise about the ownership of Land Rover. I was not prepared to recommend to my colleagues a situation in which General Motors had effective control of that company and the assurance of full ownership and control within a relatively short time.

**Mr. Dave Nellist (Coventry, South-East):** Is the Secretary of State aware that the workers in Coventry, the midlands and elsewhere, instead of hearing the Secretary of State continuing to tout around the world saying, "Anybody want to buy a car industry?", would have preferred a categorical assurance that Leyland would remain in public ownership? That would end the speculation and worry about workers' jobs.

The Secretary of State has said on a number of occasions that the large-scale volume production of

vehicles is essential if we are to compete in international markets. Why does the Secretary of State not reverse the process of recent months and take into public ownership Vauxhall, Ford and Peugeot to create a British motor industry capable of the volume production necessary to compete in international markets?

**Mr. Channon:** Perhaps we shall see that unfold with all the details as we approach the general election. With regard to jobs, security and prosperity, one should consider what has happened at Jaguar since it was privatised. There has been an increase in its sales and employees. The idea that one has to keep industries in public ownership for them to be successful is a foolish and idiotic idea, believed only by Opposition Members.

**Mr. Michael Grylls (Surrey, North-West):** Will my right hon. Friend take comfort from the fact that there is widespread support for his policy of returning viable parts of British Leyland to the private sector? Will my right hon. Friend bear it in mind that British Leyland, although technically one company, is a group of companies? Although the truck division would undoubtedly prosper in General Motors, Land Rover and Range Rover are a specialist company, rather like Jaguar. They may well do better standing on their own, financed by the private sector.

**Mr. Channon:** I take note of what my hon. Friend says; it is a view that many people share.

**Mr. Dalyell:** Will the Secretary of State clarify what he meant in his opening remarks:

"The BL board will give further study to the alternative ways forward for all the businesses concerned"? I stress "all".

Does not this resurrect the question of Bathgate? I ask the Secretary of State whether he or the Minister of State — who, frankly, has been very helpful in these matters when I and my colleagues have approached him in relation to the complex problems of Bathgate — will give particular attention to the shop stewards' and Scottish Office initiative in relation to Bathgate and Mr. Anthony Bamford. Can some machine capacity be retained at what is the biggest machine shop, under one roof in Europe? I see the Secretary of State consulting the Minister of State. The suggestion makes sense. Can I have an assurance that the Department of Trade and Industry will take it seriously?

**Mr. Channon:** Naturally I shall consider seriously anything that the hon. Gentleman proposes. I am anxious not to reawaken hopes that will have to be dashed again. The chances of doing what he suggests are extremely remote, but I shall certainly have his suggestion examined.

**Mr. Derek Conway (Shrewsbury and Atcham):** As my right hon. Friend is under fire today for defending British interests, can I urge him not to be disheartened, and to appreciate that there is widespread support for the privatisation of parts, if not all of BL? Will he assure the House that the component sourcing policies of BL and parts thereof will be continued, and that the British industry will also be safeguarded in future?

**Mr. Channon:** I am most grateful to my hon. Friend. He raises an important point, with which I agree.

**Mr. Jack Straw (Blackburn):** Would the Secretary of State like to place on record his praise for the staff and work force of Leyland Trucks, whose products have risen



[Mr. Jack Straw]

to the top of the best-selling league, despite the damaging uncertainty which this farrago has created? Can he spell out precisely the time scale that he now has in mind for the so-called privatisation of Leyland Trucks, given the fact that his original time scale has been aborted?

**Mr. Channon:** I certainly agree with the hon. Gentleman about the immense progress that has been made in Leyland Trucks. He may recall that, in my original statement, I mentioned the trend in its performance, and I met a deputation from the unions in Leyland Trucks recently. I agree with the hon. Gentleman. I would prefer not to give him a firm answer about a timetable at this stage because that would be misleading. I must await recommendations from the BL board about the best way forward for Leyland Trucks, and I hope that I shall have proposals in the not too distant future.

**Mr. David Gilroy Bevan** (Birmingham, Yardley): Will my right hon. Friend, in accepting my thanks for this further statement, which is a step towards the protection of the jobs of the workers, many of whom live in my constituency, now please instruct the bankers of BL, through the board, to give full and proper information to the managers and all those other companies which are bidding for BL, and not the paucity of information which has been the apology so far given and which has shown their partiality and preference?

**Mr. Channon:** I am grateful to my hon. Friend for his support, but I cannot accept what he said in the last part of his question. As I said in my original statement, the board will now include in its examination the various expressions of interest which have already been announced so that it can recommend to me the best course forward. I am told that all normal information has been given, but I shall immediately check that with BL.

**Mr. Robin Corbett** (Birmingham, Erdington): Why is the Secretary of State such a dogmatic devotee of privatisation? Does he not recall that the former incompetent private owners of BL got it into such a mess that it had to be rescued with public funds? Will he now give the House an undertaking that the Government will keep their incompetent hands off BL and allow it to continue to succeed so that, as taxpayers, we can get back the moneys which we put in to rescue it?

**Mr. Channon:** I am afraid that I disagree with the hon. Gentleman. All experience shows—I cited Jaguar earlier—that, if we can get the subsidiaries of the companies into private hands, it will give the companies a better opportunity for a secure long-term future. That is true not only for the motor industry, but for every other industry.

**Mr. Nicholas Lyell** (Mid-Bedfordshire): Does my right hon. Friend accept that there is a great community of interest in the future of Leyland Trucks, Freight Rover and many other products in the continuation of reopening of negotiations with GM? Will he make it clear that it is not the British Government who are seeking to close the door on further negotiations?

**Mr. Channon:** As I have already said, the Government are always ready to consider fresh proposals, but at present there are no plans for the resumption of talks.

**Mr. David Winnick** (Walsall, North): Is the Secretary of State aware of the outrage felt in the west midlands at

what the Government have done over BL and the way in which they have acted? Is it not a supreme irony that, when the chairman of the Conservative party was Secretary of State for Trade and Industry, he started negotiations with GM, yet he has told his Cabinet colleagues that selling to GM is simply not on?

**Mr. Channon:** The hon. Gentleman is vastly exaggerating what he calls the outrage in the west midlands, and, as usual, he is distorting the actions of my right hon. Friend, who has been extremely helpful at all stages, as indeed all my colleagues have been. This is a Government decision, and the hon. Gentleman is talking rubbish.

Several Hon. Members rose—

**Mr. Speaker:** Order. I will call the Conservative Members who have been standing, and the hon. Member for Sheffield, Hillsborough (Mr. Flannery), who has suddenly got to his feet, for a further five minutes. However, I must bear in mind that further business today is on a timetable.

**Mr. Nicholas Budgen** (Wolverhampton, South-West): Will my right hon. Friend place in the Library a copy of the final terms upon which GM was prepared to purchase Freight Rover, Leyland Trucks and Land Rover?

**Mr. Channon:** I shall certainly consider what my hon. Friend says, but the talks did not end in that way. I put various proposals orally to GM, but it was not prepared to accept them. So I do not think that that is a relevant issue at present.

**Mr. Michael Fallon** (Darlington): Now that the wedding is off, can my right hon. Friend assure me that taxpayers will not be asked to foot the bill?

**Mr. Channon:** Yes, Sir.

**Mr. Nicholas Winterton** (Macclesfield): Is my right hon. Friend aware that I am satisfied with his statement this afternoon—so much so, indeed, that when I heard during the weekend that the GM deal was off, I ordered a Range Rover yesterday? Is it not time that the House set an example and that many more right hon. and hon. Members brought British cars? I speak as a Rover user, and if hon. Members set an example, I am sure that the country would follow, and British Leyland in private hands would be a highly successful company.

**Mr. Channon:** I am extremely grateful to my hon. Friend for his support, which I have been accustomed to receive over the years on many occasions. If all the people who talked about BL bought a BL car, BL would have a higher proportion of the British share of the market than it does at present.

**Mr. Anthony Beaumont-Dark** (Birmingham, Selly Oak): Will my right hon. Friend accept that many of us have a great deal of sympathy for him in that he was landed with this problem so early in what will be a distinguished tenure of office? Will he further accept that many of us respect him for the difficult decision that he had to make, and believe that he has made the right one? Land Rover, which is a specialist manufacturer, should remain—in a narrow, patriotic sense, but in a proper sense—in British hands. Will he go one step further and make the other proper decision, which is to back the zeal, ability,



willingness and money of the management-worker buy-out, and make an early decision so that this great company can go forward for its workers, for the country and for us all?

**Mr. Channon:** I am grateful, indeed, to my hon. Friend for his support which, again, I have been accustomed to receiving on many occasions. The management buy-out will be considered together with the other expressions of interest by the board in order to come forward with recommendations for the best course in the future. It would be wrong for me to prejudge that at this stage, but I know that there is considerable support in the House for that. There may well be other options available.

**Mr. John Maples (Lewisham, West):** Does my right hon. Friend appreciate that his statement will come as a great disappointment to those who were hoping for some rationalisation of the British truck industry? Does he agree that those who have wrapped themselves in phoney patriotism in an attempt to oppose that rationalisation will bear a great deal of responsibility if GM now finds itself a European partner, and we end up with no truck industry? Does he appreciate that, if he resumes negotiations with GM for the sale of a controlling interest in both Leyland Trucks and Land Rover, he will have considerable support behind him on these Benches?

**Mr. Channon:** I note what my hon. Friend says, but I cannot add to what I said earlier. There are no plans at present for the resumption of talks, and it would be misleading if I were to pretend otherwise. However, I note my hon. Friend's comments and I shall come forward with further proposals as soon as I can.

**Mr. Roger King (Birmingham, Northfield):** Is my right hon. Friend aware that, although the management buy-out is well accepted by many people, it also finds a great deal of favour among the work force? Is my right hon. Friend aware that the trade unions have said that they are willing to become involved financially in such a management buy-out? Such aspirations have been raised to a high level in the west midlands. We hope that they will be realised.

**Mr. Channon:** I acknowledge what my hon. Friend has said, but it would be quite wrong of me to express a view at this stage on the various alternatives.

**Mr. Den Dover (Chorley):** Does the Secretary of State agree that a much better bargain could be obtained for Leyland Trucks in a year or two if the division were kept in public hands until then?

**Mr. Channon:** I shall, of course, consider that possibility.

**Mr. Speaker:** Mr. Flannery.

**Mr. Martin Flannery (Sheffield, Hillsborough):** Thank you, Mr. Speaker, for balancing the questions—

**Mr. Speaker:** Order. The hon. Gentleman has only just started to rise.

**Mr. Flannery:** The hon. Gentleman has been standing up continually.

Does the right hon. Gentleman accept that a Japanese firm has a great rival to Land Rover—a four-wheel drive car which looks very much like the Land Rover? Is it not true that that Japanese firm is owned by General Motors of America? Does it not follow that, because costs

in Japan are much lower, if General Motors gets hold of the Land Rover BL production machine here, it could, from America, in the interests of profit, easily close down Land Rover to make profits in Japan?

**Mr. Channon:** With respect to the hon. Gentleman, if there had been a deal with General Motors on Land Rover, we would have required satisfactory assurances from that company which would have ensured the future of the Solihull plant, the local content and the other things which I have described to the House many times.

**Mr. Charles Wardle (Bexhill and Battle):** Will my right hon. Friend accept that many Conservative Members and many people in the automotive industry consider world market share profitability and British jobs to be more important than all the jingoism of the past few weeks? Will he convey to General Motors and to Ford that they are as welcome to prosper and expand in this country as British firms are welcome to do in the United States?

**Mr. Channon:** My hon. Friend is absolutely right to draw attention to the importance of General Motors and of Ford in the British economy. They are both large employers which put a great deal of money and effort into the United Kingdom. I can assure my hon. Friend that the Government think that they are very welcome.

**Mr. Michael Forsyth (Stirling):** Is my right hon. Friend aware that a majority of Conservative Members regret the collapse of the General Motors talks, as a great opportunity lost? Would it not have been better for the Government to concentrate on securing a successful motor industry in Britain rather than to respond to the misguided and jingoistic calls from those who will leave a price to be paid in lost jobs and higher taxes?

**Mr. Channon:** I note what my hon. Friend says. I hope that I shall be able to come forward, in the not-too-distant future, with proposals on the future of Land Rover and Freight Rover which my hon. Friend will welcome.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. I shall bear in mind when we next discuss this matter those hon. Members who have not been called today.



## BL IN THE SECOND CHANCE SALOON

The Government's withdrawal two weeks ago from the talks with General Motors over acquiring British Leyland came into a familiar category of political actions: those which appear to be shrewd right up to the moment that they are actually carried out.

That particular decision, to be sure, appeared shrewd at a very low level. In the post-Westland climate of economic xenophobia, the government plainly felt itself vulnerable to the charge of undue tenderness towards American interests. Since Ministers were known to be seriously negotiating with General Motors over Leyland Trucks and Land Rover, this allegation was made by the Labour front bench with a great display of cynical jingoism which duly evoked the real thing on the opposite side of the House. Tory backbenchers, it seemed, were rallying round the principle that Land Rover must be kept British at all costs — even though the costs seemed likely to include being landed with the rest of British Leyland and its voracious appetite for subsidy.

In the face of apparently universal criticism, the government withdrew Land Rover from the proposed deal. GM accordingly withdrew from the negotiations.

Whereupon it became evident that a great mistake, of both policy and politics, had been made. The proposed deal would have both guaranteed the future of the British truck

industry (in a European market marked by 50 percent excess capacity) by making it the base for GM's European operations, and lifted the burden of subsidy from the taxpayer. They are the reasons, after all, why Ministers initiated it in the first place. Its failure, on the other hand, actually threatens jobs in the UK car industry. There is a real risk that GM might respond to the breakdown of negotiations by closing down its loss-making Bedford plant at Dunstable and forming a joint truck operation with some other European producer.

When the Industry Secretary announced the breakdown of the GM negotiations in the Commons, several Tory backbenchers unexpectedly made these points. Mr Leon Brittan, the former Industry Secretary, reiterated them in speech to Conservative students last week. And most informed comment outside the Commons has regretted that the GM-Leyland deal did not go ahead.

But there the matter seemed doomed to rest. Considerations of face, ultimately irrational but politically potent, prevented the government from asking GM to reopen the negotiations.

With last week's publication of unexpectedly favourable profit and loss figures from British Leyland, however, an opportunity for reopening the dialogue with GM presents itself. The improvement on

1984 figures should not be exaggerated. Trucks and buses in particular made a loss of £52 million compared to £61 million in 1984.

Nonetheless, these are better results than anything available to the GM negotiators a fortnight ago. And they provide at least a paper justification for suggesting to the Americans that talks on a GM-BL deal should be reopened on this new basis.

Land Rover will initially have to be excluded from these talks for political reasons. And the rise of Land Rover's profits from £2 million to £10 million will be cited by economic jingoists as reason to keep the company under British ownership permanently.

Once negotiations are in train, however, no relevant topic is likely to be rigorously ruled out of order. And the arguments for GM's acquisition of the company remain strong. Higher profits notwithstanding, Land Rover has lost ground in world markets to Japanese competition in recent years. It needs a world-wide distribution network which GM offers. None of the alternative bids, in particular the management buy-out favoured by Tory backbenchers, offers an equal prospect of capital expansion. The benefits of a GM takeover of BL trucks, therefore, are not lost irrevocably. And if the government shows some fancy footwork, they need not be lost at all.