



CF file

SUBJECT
cc Master.

cc HMT

cc B. H. Smith.

10 DOWNING STREET

From the Private Secretary

3 October 1985

Dear John,

BL

Your Secretary of State, accompanied by the Hon. Peter Morrison, came to see the Prime Minister this evening to discuss BL, on the basis of your Secretary of State's minute of 26 September.

In the course of discussion it was agreed that:

- i) the proposal for a Government nominee or observer to be placed on the Board of BL should be pursued;
- ii) work should start towards finding a replacement for Sir Austin Bide, whose appointment was due to expire in autumn 1986; it would be sensible to allow a substantial hand-over period, as had been achieved for the Chairmanship of the NCB;
- iii) the negotiations with GM on the sale of Land Rover - Leyland should be seriously pursued; it was recognised that this would need to be handled very carefully in view of the likely scale of redundancies and the emotive question of the ownership of Land Rover; a deal would have to be absolutely defensible in financial terms; there would be tough discussions and it might be necessary to imply in guarded terms a willingness to sell Land Rover separately;
- iv) the scale of the problems with Unipart needed further exploration, but it should be privatised at the earliest possible moment;
- v) it had been reported that BL were forecasting borrowings to rise above their "capped" limit of £680m for 1985; this was unacceptable, and BL would have to live within the limit.

I am copying this letter to Rachel Lomax (HM Treasury).

Yours sincerely,
David Norgrove.

David Norgrove

John Mogg, Esq.,
Department of Trade and Industry.