



*cc [unclear]
cc B. Yamin*

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

7 October 1985

The Rt. Hon. Leon Brittan QC MP
Secretary of State for Trade and Industry

Leon Brittan

BL PRIVATISATION

Your minute to the Prime Minister of 26 September reported developments on two fronts: Unipart privatisation and GM's interest in Land Rover-Leyland.

The former is very bad news. Unipart was to have been the second of two privatisations originally targeted for mid-1984, and already substantially delayed. However, I recognise that we now have little choice but to defer privatisation once again. This decision has already been taken by the BL Board, and Samuel Montagu's preliminary advice is in the same sense. You have rightly set action in train to discover who was responsible for what occurred and to pursue the earliest possible revised date for privatisation. On the latter, one option I should wish to see examined further is a prior year adjustment to the Unipart 1984 Accounts to recreate for 1985 the stock provision of £3.3 million negotiated on acquisition but subsequently released to profit and loss in large measure. Beyond this, I am sure we must expect a discount on the Unipart price with an early revised date for privatisation, and I endorse the firm line you intend to take on this with the BL Board. We cannot afford a resurgence of the BL Board doubts over price that have already deferred the sale once.

Your news on the SALTON negotiations is encouraging, although important issues lie ahead. I am glad to hear that the BL Board are content in principle with the GM acquisition. I share your belief that the rationalisation of UK commercial vehicles capacity will be needed anyway before long, and I therefore have no qualms about moving to the next stage of negotiations with GM as you propose. In doing so, we shall clearly need to secure a defensible price for the sale, especially in view of the presentational problems which we shall face. We shall need to be as tough negotiating for the taxpayer as GM will be on behalf of their shareholders.



As far as the structure of the operation is concerned, I would need considerable persuasion that anything less than 100 per cent of the businesses should be sold. It is worth considering, however, whether it would be helpful, either for negotiating purposes or more generally, to separate out from the package deal profitable companies like Land Rover for separate privatisation. We shall also need to pursue separately, but to the same timescale, the privatisation of Leyland Bus, in which GM have denied any interest.

Finally, while I am grateful for your offer to accept Treasury officials on the proposed steering group, I believe there will also be occasions when Treasury officials should join DTI officials in representing the Government at the tripartite negotiations themselves. I hope this causes you no difficulties.

A copy of this letter goes to the Prime Minister.

NIGEL LAWSON

A handwritten signature in black ink, appearing to read 'Nigel Lawson', written over a large, stylized initial 'N'.

IND POLICY

BRITISH LEYLAND

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