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22nd January 1986

The Rt Hon Margaret Thatcher MP  
10 Downing Street  
London SW1

*Dear Prime Minister*

I am writing to you to express my concerns about the possible sale by BL plc of Land Rover UK Ltd and related businesses as a consequence of the SALTON negotiations.

The BL Board reviewed the current status of these negotiations at its meeting on Tuesday 20th January. Although I am a member of the BL Board, and the Group Chief Executive responsible to the Board for the Land Rover-Leyland companies, I did not participate in these discussions. The reason for this was my declaration of interest in the outcome of the SALTON negotiations. My declared interest is in exploring the feasibility of a consortium backed management buy-out of Land Rover UK Ltd and related overseas businesses with five senior colleagues. When I first stated this interest, in December last, the BL Board did not grant permission for me to pursue this alternative for clear and understandable reasons.

In the circumstances, I owe it to my colleagues in the buy-out initiative, and to employees of Land Rover UK Ltd, to draw your attention to deep concerns about certain aspects of the SALTON proposals, which led to the request to explore an alternative privatisation route for the Land Rover group of companies.

These concerns do not relate to the price now offered by SALTON which now seems to satisfy the professional advisers. The concerns relate to the intentions of the other party, which are damaging to Land Rover UK Ltd and its employees, and to our inability to explore any privatisation alternative.

The other party is explicit in its intentions. It is to close the Freight Rover business at Washwood Heath, Birmingham, and to transfer van production to Luton. You doubtless will be aware that Freight Rover was formed into a separate business within Land Rover UK Ltd in 1981 at a time when it was losing money. Since its formation it has been turned around - new products have been introduced, market share has been recovered, good profits earned (25% return on assets in 1985) and new jobs created.

The other party also intends to use Opel (ie German sourced) and Isuzu (ie Japanese sourced) powertrain technology "where appropriate" in the vans. This means the displacement of Austin Rover and Land Rover engines and transmissions presently made in the West Midlands for imported engines and transmissions.

There are 1,800 people employed by Freight Rover at Washwood Heath in Birmingham. In addition employees of Land Rover at Solihull, and of Austin Rover, at Longbridge, are also threatened by the intention to substitute imported engines and transmissions for UK engines and transmissions.

A decision to close a business is comprehensible, and explainable, if it is a substantial money loser, without the prospect of recovery. This is not Freight Rover's situation. It has achieved a profitable recovery. This is not, apparently, the case of the Bedford van business at Luton which is, and is predicted to remain, a money loser. Under SALTON Freight Rover is to be sacrificed and its profits used to offset the losses incurred by the Bedford van business. The resultant business is predicted to be only marginally profitable. I think this is an indefensible transaction, even more so in view of the discount allowed in the price offered to cover Freight Rover closure and redundancy costs.

I am also concerned about prospects for Land Rover under SALTON. On its own admission Land Rover presents no obvious rationalisation benefits to the other party. But it will be used as the cash source for the commercial vehicle business, to the detriment of Land Rover itself. It is also clear that the other party will explore the displacement of Land Rover's own componentry by imports from other of its foreign subsidiaries and associates.

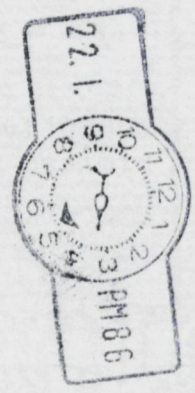
The circumstances of this form of privatisation of the Land Rover group of businesses will be seen as a poor reward to its many employess who have worked so hard to build a successful business for the future. I know that the progress towards privatisation of BL businesses has been as much a concern to you, as I assure it has been to those who, like myself, have been working long and hard to restore them to health and viability. It is for this reason that I request that you give consideration to the deep concerns expressed in this letter.

*Yours sincerely*

*D R G Andrews*

D R G ANDREWS  
Chairman and ~~Chief-Executive~~  
Land Rover-Leyland Limited

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10 DOWNING STREET

*From the Private Secretary*

23 January 1986

SALTON

The Prime Minister has received a letter, enclosed, from Mr D.R.G. Andrews, Chairman and Chief Executive of Land Rover-Leyland. It will of course be for your Secretary of State to reply.

You will of ~~course~~ want to take account of this letter in the paper for E(A), if this has not already been finalised.

I am copying this letter to Brian Unwin (Cabinet Office) and Peter Warry in the No. 10 Policy Unit.

(DAVID NORGROVE)

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

JB.