

Ref. A086/572

PRIME MINISTER

Cabinet: Parliamentary AffairsBritish Leyland

The Secretary of State for Trade and Industry will report briefly on the current situation on the bid by General Motors (GM) for Leyland Trucks, Land Rover and Freight Rover, and the reports of interest by other companies in acquiring parts of Land Rover Leyland (LRL). So far as we know, no specific bids have been made, and no proposal so far advanced appears to cast doubt on the greater industrial and commercial logic of the GM bid (the "Salton" proposals). As evidenced in the House yesterday, however, strong opposition to the proposals is being mounted both from the Opposition and among West Midlands Government backbenchers.

2. You will not want to have substantive discussion at this stage. At the minimum, any alternative proposals will need to be considered thoroughly by the BL Board before any new judgments can be made. You will also want to remind the Cabinet that at its meetings on 28 January and 6 February (E(A)(86) 3rd and 5th meetings) E(A) firmly endorsed the GM proposals. You will, however, want to indicate that you have decided to set up a small Group of Ministers closely concerned to review tactics and handling in relation to the negotiations between BL and GM; and that, in the light of developments, you will arrange a full collective discussion at E(A) and/or Cabinet before final decisions are taken.

NO. Other bids as well.
"in relation to the bids now in prospect for
Land Rover - Leyland."



Nuclear Waste Disposal

3. The Lord President will report briefly on the lines of his
— separate minute to you. There should be little substantive
discussion.

RIA

ROBERT ARMSTRONG

19 February 1986

CONQUEROR

British Leyland Subsidiaries

3.30 pm

Mr. John Smith (Monklands, East) (*by private notice*) asked the Secretary of State for Trade and Industry if he will make a further statement on the disposal of British Leyland subsidiaries in the light of the deadline on negotiations announced by the Government.

The Secretary of State for Trade and Industry and President of the Board of Trade (Mr. Paul Channon): As I told the House on Monday, other proposals for the future of the Land Rover, Freight Rover and Leyland Trucks businesses, which are the subject of current discussions between BL and GM, would be considered on their commercial merits. I named those who were willing to have their interests made public. Since then there has been no material change in the position.

As I said on Monday, it is in the interests of all concerned in the industry that these negotiations should come to a successful end as soon as they conceivably can so that damaging uncertainty can be removed. Accordingly, those companies indicating an interest in one or more of these businesses have been asked by the BL board to indicate by 4 March whether they have a firm intention to make an offer.

Mr. Smith: When the Secretary of State made his statement on Monday 17 February, why did he not tell the House about the deadline of Tuesday 4 March and also about the deadline requiring those wishing to meet BL senior management to do so before 28 February? I understand that the Secretary of State gave information about this to the lobby yesterday evening. Given that a letter was sent by Hill Samuel, apparently acting on behalf of the Government, informing interested parties of those deadlines on 14 February—three days before the right hon. Gentleman's last statement to the House—why did not the Secretary of State tell the House of Commons that those deadlines had been set?

Will the Secretary of State confirm that one of the interested parties—General Motors—has been having secret discussions for the past nine months? In those circumstances, why has such a sharp deadline been set for the others? Does this mean that the Government are merely going through the motions in respect of other intending purchasers? When, if at all, is it proposed to consult the representatives of the thousands of employees whose livelihood is entirely connected with the future of British Leyland subsidiaries?

As the Secretary of State apparently confirmed to the lobby yesterday evening, it seems that there are now six named bidders for Land Rover. Has it occurred to the Government that it might be wise to keep that company rather than sell it as everyone else seems so interested in acquiring it?

Will the Secretary of State also confirm that he told the lobby yesterday that if the General Motors proposal went ahead it would probably require a reference to the Monopolies and Mergers Commission? Will he clarify that point, which was put to the lobby but has never been discussed in the House?

Finally, will the hon. Gentleman reflect on what the Minister of State said last night? When asked whether there would be an Adjournment debate on this, the Minister of State replied that the House of Commons was

sovereign. Does that mean that there will be a full parliamentary debate on the whole issue before any deal is struck?

Mr. Channon: As for what the right hon. and learned Gentleman said about the Monopolies and Mergers Commission, I did not say that to the lobby. [*Interruption.*] I did not mention the Monopolies and Mergers Commission.

As for consultation with the work force — [*Interruption.*] I have never mentioned the Monopolies and Mergers Commission. As to the work force, the BL board told me that it intends to communicate with the work force at once, or as soon as possible. [HON. MEMBERS: "When?"] That is a matter for the board, but I think at once.

As for secret discussions with General Motors, I do not think that anybody can say that they were very secret. The discussions have been going on for quite a long time, as I have explained to the House many times. [HON. MEMBERS: "How long?"]

As for the so-called deadline, I should have thought that the right hon. and learned Gentleman had at least this in common with the Government—we must come to a conclusion about these matters in the reasonably near future. Surely any responsible hon. Member on either side of the House, whatever his views about the future of those companies, should wish for a conclusion at a very early date. That is why I think it is right for the BL board to do as it has—to say that, by 4 March, other businesses should have a firm intention to make an offer. I hope that they will then be appraised during March and that we shall be able to come to conclusions soon.

Mr. Steve Norris (Oxford, East): Is my right hon. Friend aware that many of us agree entirely with him that, in the interests of those who work in the company, we should bring any negotiations to a conclusion as speedily as possible? Does he further agree that it is damaging to the work force to see all of these negotiations, at the instigation of the Opposition, conducted in public to their detriment?

Mr. Channon: I agree with my hon. Friend on both counts. We must try to act in the interests of people in those companies and to reach a sensible conclusion rather than make party political capital.

Mr. Terry Davis (Birmingham, Hodge Hill): Why are the merchant bankers Hill Samuel involved in these discussions? Who appointed them? Is there any connection with the fact that a director of BL is also a director of Hill Samuel? Is this another example of the City of London taking an opportunity to feather its nest at the expense of British industry?

Mr. Channon: The hon. Gentleman is talking hysterical nonsense. The British Leyland board, like other companies in these circumstances, has its own merchant bankers, and Hill Samuel happens to be the merchant bank acting for it.

Mr. Michael Heseltine (Henley): Does my right hon. Friend agree that it would be better to reach the right decision more slowly than the wrong decision more quickly? Will he bear in mind that in Britain's negotiations with Ford, Chrysler and General Motors there have been promises and assurances but very little compliance with either?

Marine Nature Reserve

14. **Mr. Kenneth Carlisle** asked the Secretary of State for the Environment whether he will make a statement on progress being made to establish the first marine nature reserve.

Mr. Waldegrave: Good progress is being made at Lundy. The Nature Conservancy Council hopes to go out to consultation in the spring and put formal proposals to my right hon. Friend in the summer.

Mr. Carlisle: I respect my hon. Friend's efforts to achieve voluntary agreement for the first marine nature reserve, but it is now more than four years since the Wildlife and Countryside Act gave us the obligation to establish such reserves. If voluntary agreement for a

marine nature reserve is not reached in the very near future, will my hon. Friend ensure that Parliament takes powers so that the Government can impose the first reserve?

Mr. Waldegrave: I gave a pledge—to my hon. Friend, I believe—that we must have a reserve within 12 to 18 months of a commitment that I made some time ago. We are still within that time scale, but we are watching the situation very closely, because no further slippage would be tolerable.

Mr. Dennis Skinner (Bolsover): On a point of order, Mr. Speaker.

Mr. Speaker: I will take the point of order afterwards.

Mr. Skinner: So long as I can make it before the Minister of State leaves the Chamber.

Mr. Channon: I want to come to the right conclusion in reasonably quick time because I believe that that is essential in the interests of the companies concerned and of all of those who work in them and want them to succeed in the future.

Mr. Tam Dalyell (Linlithgow): My right hon. and learned Friend the Member for Monklands, East (Mr. Smith) referred to the letter of 14 February. Why did not the Secretary of State tell the House of Commons about the deadline?

Mr. Channon: I have not seen the letter of 14 February. [Interruption.] Nor is it in any way surprising that that should be the case. Hill Samuel is the merchant banker to the BL board, not to me.

Mr. Alex Fletcher (Edinburgh, Central): Will British bidders be given a reasonable time scale in which to submit their bids? Should not Ministers give preference to British bidders quite unashamedly, not because we are anti-American—far from it—but because the assurance of British ownership should be more acceptable to the Government than assurances from overseas owners, no matter how prestigious they may be?

Mr. Channon: I can assure my hon. Friend, as I have done on many occasions, that we shall give serious consideration to any bids. No bids have so far been received.

Mr. David Steel (Tweeddale, Ettrick and Lauderdale): Will the Secretary of State recognise that both sides of the House want a clear assurance that it is the policy of the Government that British Leyland should remain British Leyland and that it should not become American Leyland? Therefore, as a matter of policy, should not preference be given to those bids that come from other British companies? Will the right hon. Gentleman confirm that this decision cannot be left to the BL board itself as national assets are involved?

Mr. Channon: The Government's policy is to have the best solution for these companies, whether it be American or British. I am far more concerned with the need to achieve a proper future for these companies, and that, I suggest, is what any responsible hon. Member should be working towards.

Mr. Hal Miller (Bromsgrove): In the face of all this synthetic indignation, does my right hon. Friend accept that ever since the Government announced their intention to privatise British Leyland it has been quite plain that bids were open for any part of British Leyland? In view of the Opposition's belated and mischievous attempt to make political capital out of this and to cause further delay and uncertainty among all those who supply truck and bus and Land Rover, who work in the company and who sell the product, surely there is a need for an early and decisive conclusion to this matter?

Mr. Channon: I entirely agree with my hon. Friend, and I hope that that is the general wish in the House.

Mr. Jack Straw (Blackburn): The Secretary of State is giving the impression that he is not answering the question that has been put to him three times by my right hon. and learned Friend the Member for Monklands, East (Mr. Smith) and two of my other hon. Friends. Was he aware of the letter sent by Hill Samuel, whether he read

it or not? Was he aware of the deadline? If he was, why was the House not told of it when he made his statement on Monday?

Mr. Channon: I answered the hon. Gentleman's question a moment ago. I have given the House the fullest information in my possession, and I have answered any questions that the House has put to me; I shall go on doing so. During the past two weeks there has been a private notice question on 3 February, a debate on 5 February, a statement on 6 February, questions on 12 February, a private notice question on 17 February, a debate on 18 February, and another private notice question on 19 February. The idea that hon. Members have not had the chance to question me is ridiculous.

Mr. David Madel (Bedfordshire, South-West): Will my right hon. Friend confirm that any arrangement between General Motors and Leyland Trucks will not succeed unless the management and unions in those firms are able to agree the details? As neither the management at plant level nor the unions yet know the details of any proposal, what is the point of constantly raising the matter in this House? Neither the work force nor management have yet had any firm proposals on which to negotiate.

Mr. Channon: As my hon. Friend knows, at the present stage no bids have been received from any quarter for these companies. We must try to get to a situation where sensible decisions can be taken, but negotiating in public, as the Opposition would clearly like to do, is very damaging for the future of the companies concerned.

Mr. D. N. Campbell-Savours (Workington): May we have an assurance that, whatever happens in the end, Japanese Isuzu diesel engines will not be fitted to Land Rover or Range Rover?

Mr. Channon: When I last spoke in a debate such as this, I said that satisfactory assurances would have to be obtained before I could recommend any deal to the House.

Mr. John Mark Taylor (Solihull): Will my right hon. Friend accept, and take note of, the virtues of management buy-outs with worker participation, such as in the National Freight Consortium? Will he consider the application of such a scheme to the future of Land Rover, and will he consider it consistent with wider ownership of shares, which our party has always advocated?

Mr. Channon: As I told my hon. Friend on another occasion, if a serious proposal comes forward, it will be considered.

Mr. Andrew Faulds (Warley, East): If the right hon. Gentleman knew of the deadline set out in the letter of 14 February, why did he not previously tell the House of its existence?

Mr. Channon: I have set no deadline—4 March is simply the date by which BL expects alternative interested parties to declare a firm intention of making an offer. That seems to be wholly reasonable. I have kept nothing from the House.

Mr. Robert Atkins (South Ribble): Will my right hon. Friend confirm that it has always been the inviolate rule of British Leyland to tell the work force before anybody else what is going on that affects its interest? Does he agree that those of us who have a real interest in the work force, those of us who have a constituency interest as I do,

[Mr. Robert Atkins]

as the Member for Leyland, find the activities of the Labour party, supported by those who will jump on any bandwagon, scurrilous and disgraceful and worrying the work force even more than it is now?

Mr. Channon: I entirely agree with my hon. Friend.

Mr. Ian Wrigglesworth (Stockton, South): As there has been considerable speculation about the fact that General Motors will not purchase other parts of BL unless Land Rover is included, will the Secretary of State give an assurance that the Land Rover part of the deal can be disentangled from the General Motors bid, and that a purchaser from Britain can make a serious offer for it?

Mr. Channon: Any proposal will be looked at on its merits. I understand that the GM board wishes to buy both companies or neither, but, as I have already tried to explain, I would never agree to a deal for Land Rover unless I were convinced that it would be in the long-term interest of Land Rover—and that with a GM deal if satisfactory assurances can be obtained and with the American outlets available—I could see a secure and good future for Land Rover.

Mr. Derek Conway (Shrewsbury and Atcham): Concern about this matter comes not only from the west midlands but equally from my constituency, where several hundred jobs are involved. Does my right hon. Friend accept that we should prefer to see a longer negotiating time scale if that meant that a British bid could be acceptable? I accept that it is difficult to conduct negotiations via the House, but I hope that, before the lobby, the House of Commons will have a say as to where a nationalised industry which should remain British goes.

Mr. Channon: I assure my hon. Friend that there will be time for any serious bid from any source to be considered. No bids have yet been seen. There have been some declarations of interest in the companies concerned. I agree that bidding companies must be given an opportunity to make their proposals. I believe that what the BL board proposes is adequate.

Mr. John Evans (St. Helens, North): Is the Secretary of State aware that the widespread doubt and uncertainty has largely been created by his own inept and incompetent performance? Will he acknowledge that this is not just a question of Leyland, and if there is any reduction in production by BL it will have a major impact on the Pilkington factory in St. Helens, which is a major supplier of glass to the industry? Will he bear that in mind?

Mr. Channon: I shall bear that in mind. I reject the first part of the hon. Gentleman's question. Some of the major component suppliers to this industry, and I have permission to quote Guest Keen and Nettlefolds—*[Interruption.]* So hon. Members wish to laugh at the

components manufacturers. GKN has said that, subject to satisfactory assurances, the Bedford-Leyland merger and the GM ownership of Land Rover would be desirable from the United Kingdom point of view.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Will my right hon. Friend accept that many of us agree that this virtually daily questioning is not helpful to solving the problem? But will he also bear in mind that it underlines not just the wishes of the House but the fact that the people of this nation wish to see not an American dream come true to control our motor industry but a British dream come true—a viable British alternative to the problem? Carelessly and quickly selling out is like marriage, which is meant to be for ever; and once one has sold out it is for ever. Will my right hon. Friend make sure that before he sells out to General Motors he gives the British people a genuine chance to control their destiny?

Mr. Channon: My hon. Friend has made his views clear on many occasions and I respect them. I have already assured the House that I will give a genuine chance to any serious bid that comes forward and I repeat that assurance to my hon. Friend today. I am grateful to him for what he said in the first half of his question. It is difficult for all those involved in the companies to have this daily barrage which the Opposition are clearly trying to create for party political reasons.

Mr. Stan Thorne (Preston): Is the Secretary of State aware that an official group from British Leyland came to the House yesterday to make it clear that, in its opinion, the bus and truck division, in which it has invested considerable skill and effort, must remain in public hands?

Mr. Channon: That is a view that I understand, but it has never been the Government's view because we believe that we should privatise those industries.

Mr. Patrick McNair-Wilson (New Forest): Does my right hon. Friend agree that had it not been for United States investment in Britain since the war our industrial base would be a great deal smaller than it is and, since a large part of that investment was sanctioned by the Labour party when it was in power, will he reject this hypocritical anti-Americanism and put the interests of the work force and the business first in any discussions that take place?

Mr. Channon: Yes, I will. American investment in Britain has been very much welcomed and there has been substantial British investment in the United States. Labour Members, with their anti-American taunts, are playing a dangerous game. They are threatening the livelihoods of thousands of people employed by American companies in Britain, including General Motors and Ford.

Several Hon. Members *rose*—

Mr. Speaker: Order. We must move on.