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From the Minister of State for Industry

Private Secretary to
THE HON PETER MORRISON MP

David Norgrove Esq
Private Secretary
10 Downing Street
London
SW1

NBM

March 1986

Dear David

I attach a copy of the briefing for the Prime Minister's meeting with Mr Gilroy-Bevan.

*Yours sincerely
Malcolm McHardy*

MALCOLM MCHARDY

1MOBTM



PRIME MINISTER'S MEETING WITH DAVID GILROY BEVAN MP AND DELEGATION OF WEST MIDLANDS MPS ON TUESDAY 4 MARCH.

OBJECTIVE

To listen to the views of West Midlands MPs about the possible sale of Land Rover-Leyland.

LINE TO TAKE

- 1 Welcome opportunity to meet delegation. Understand concerns about employment.
- 2 Concern of Government and the BL Board is the long-term future for these businesses. Although there has been a substantial improvement in BL's performance much still needs to be done in an increasingly hostile trading environment. The commercial vehicle industry generally is suffering from over capacity. In reaching decisions on future of BL's operating companies and Government must consider the considerable risks of maintaining status quo.
- 3 Leyland Trucks and Leyland bus are still heavily loss-making. Land Rover and Freight Rover taken together are making a profit at the trading level but not sufficient to meet the interest on their debt burden. It must be very difficult for these businesses to finance major investments in new products and facilities over the next few years. Their future could best be secured in the private sector rather than in public ownership.
- 4 Only efficient operating units producing competitive products which people at home and abroad want to buy will strengthen the manufacturing base and secure jobs in the long term.
- 5 The deadline of today (4 March) which BL has set is for firm expressions of interest, not bids. The time provided is reasonable, in view of the need to stop this damaging period of uncertainty.
- 6 Before coming to any final conclusions on the future of BL's operating companies, the Government will wish to consider all the possible options on their commercial merits, subject to the need to minimise delay. European or British alternatives, if put to the BL Board, will of course be considered. But it is the long term security of operations that is of concern to the Government rather than the nationality of their owners. I can well understand your points of concern but I hope you will appreciate the difficulties of commenting on specific points at this stage.

Vehicles Division
DTI
3 March 1986



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BACKGROUND

The Prime Minister is familiar with the background to the discussions about the future of BL. BL's talks with General Motors, covering Leyland Trucks, Land Rover and Freight Rover, are at an advanced stage, but no formal offer has been received.

Alternative bids

Commercial parties interested in Land Rover and/or Leyland Trucks have been told by BL to indicate by 4 March whether they have a firm intention to make an offer and to outline their general intentions for the business.

Current expressions of interest at the time of writing are from:

- Land Rover - Lonrho: Schrodgers (acting for the management buy-out) *Chase Manhattan (US private investors); Aveling Barford
- Freight Rover - Lonrho: management buy-out
- Leyland Bus - Laird Group; Aveling Barford; Volvo

*Paccar/Cummins (US) have withdrawn their interest in Leyland Trucks.

Mr Morrison met Mr Gilroy Bevan on 17 February to hear his views about the possible sale of Land Rover-Leyland to General Motors. A copy of the note of the meeting is at Flag B.

An aide memoire showing Midlands MPs constituency interests in BL companies in the region is at Flag C.

Vehicles Divison
DTI
3 March 1986

* Confidential - not public knowledge

Leyland Vehicles

3.33 pm

Mr. Jack Straw (Blackburn): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the refusal of Her Majesty's Government to extend the deadline of 4 March and to provide proper information, so as to enable Lancashire Enterprises Ltd. and others to prepare properly costed bids for Leyland Vehicles as an alternative to a takeover by General Motors."

This matter is obviously specific. As to its importance, four days ago, the Prime Minister told the House, in answer to my right hon. Friend the Leader of the Opposition:

"Those who are interested in making genuine bids—the trade unions could have done the self-same thing—could have obtained the information from the Department of Trade and Industry or British Leyland."—[*Official Report*, 27 February 1986; Vol. 92, c. 1066.]:

On the Jimmy Young show last week, the Prime Minister said of those talking of alternative bids to General Motors that they should

"put up or shut up".

Lancashire Enterprises Ltd., with the West Midlands enterprise board, has sought to do that—put up a bid. It is hoping to sponsor a federated management buy-out in which the major investment will be made by the finance institutions, with a stake from the enterprise boards and from the management and work force. Contrary to the pledge given by the Prime Minister four days ago, the request for information met with a point-blank refusal. Messrs Hill Samuel, on behalf of British Leyland and the Government, have refused to provide any information unless a series of onerous conditions are met. However, they have caught Lancashire Enterprises Ltd. in a catch 22 trap, for these conditions can be met only with the information which Hill Samuel is refusing to provide. In other words, the Government are creating conditions which make it impossible for any others but General Motors to get to the starting line. No prospectus has been provided.

As to the urgency, the deadline set by the Government expires tomorrow. It has taken General Motors at least nine months of work, and I understand that it has not yet formally submitted a bid. The National Carriers buy-out—greatly applauded by Conservative Members—of a size similar to that proposed for Land Rover took nine months to reach fruition. The Government's proposed time scale for counter-bids to that of General Motors for Leyland Vehicles is laughable. It makes a mockery of the Government's claim to be serious about alternative bids.

Yesterday, the former Conservative Prime Minister, the right hon. Member for Old Bexley and Sidcup (Mr. Heath) suggested that Leyland Vehicles was to be sacrificed and sold off to General Motors as part of a private deal between the White House and Downing street. This Government's tactics in blocking other bids suggest that the right hon. Member is right. The deadline in this case can be extended only if there is an emergency debate today or tomorrow.

Mr. Speaker: The hon. Member for Blackburn (Mr. Straw) asks leave to move the Adjournment of the House under Standing Order No. 10, for the purpose of discussing a specific and important matter that he thinks should have urgent consideration, namely,

"the refusal of Her Majesty's Government to extend the deadline of 4 March and to provide proper information, so as to enable Lancashire Enterprises Ltd. and others to prepare properly costed bids for Leyland Vehicles as an alternative to a takeover by General Motors."

I have listened with care to what the hon. Member has said and I fully understand the case that he has made, but the only question that I have to decide is whether this matter should take precedence over the business set down for today or tomorrow. I regret that I do not find that the matter meets all the criteria laid down in the standing order. I therefore cannot submit his application to the House.

Mr. Stan Thorne (Preston): On a point of order, Mr. Speaker.

Mr. Speaker: No, I will take the other Standing Order No. 10 application first.

Nuclear Waste (Disposal)

3.37 pm

Mr. Douglas Hogg (Grantham): I also beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the anxieties, potential financial loss and planning blight caused by the announcement that Fulbeck airfield is a possible site for disposing of nuclear waste."

Last week, my right hon. Friend the Secretary of State for the Environment announced that Fulbeck airfield is to be one of four possible sites for disposing of nuclear waste. My constituents have greeted this announcement with a justifiable mixture of shock, disbelief, grave concern and total opposition.

Mr. Dennis Skinner (Bolsover): I bet they have.

Mr. Hogg: They are sentiments that I wholly share.

As part of this application, I need to make it clear that my constituents and I will resolutely oppose this application unless and until four conditions are satisfied.

The first is that the Nuclear Industry Radioactive Waste Executive must prove that this method of disposing of waste is the only proper way of disposing of that material. Secondly, it must be proved that Fulbeck is the only proper site. Thirdly, it must be established that the scheme is absolutely safe. Lastly, all financial damage must be fully compensated. My constituents and I do not believe that any, far less all, of these conditions will be satisfied. Unless and until they are, we are wholly opposed to what NIREX has in mind.

As to recent developments which justified this application, there is clear and pressing evidence that contracts for the sale of property will fall through as a consequence of this application and that severe financial loss will be suffered by my constituents.

It is against this background that I ask for leave to move the Adjournment of the House.

Mr. Speaker: The hon. Member for Grantham (Mr. Hogg) asks leave to move the Adjournment of the House under Standing Order No. 10, for the purpose of discussing a specific and important matter that he thinks should have urgent consideration, namely,

"the anxieties, potential financial loss and planning blight caused by the announcement that Fulbeck airfield is a possible site for disposing of nuclear waste."

I regret that I have to give the same answer to the hon. Member as I gave to the hon. Member for Blackburn (Mr.

Straw). I do not consider that the matter that he has raised is appropriate for discussion—[*Interruption.*] Order. I do not consider that the matter that he has raised is appropriate for discussion under Standing Order No. 10. I therefore cannot submit his application to the House.

Mr. D. N. Campbell-Savours (Workington): On a point of order, Mr. Speaker.

Mr. Speaker: I will take the hon. Member for Preston (Mr. Thorne) first.

Mr. Stan Thorne (Preston): On a point of order, Mr. Speaker. In reply to the application of my hon. Friend the Member for Blackburn (Mr. Straw) under Standing Order No. 10 you referred to the importance of tomorrow's business as one of the reasons why you felt obliged to reject the application. One item of tomorrow's business is the Salmon Bill—

Mr. Speaker: Order. I think that the hon. Gentleman misheard. I said that the application did not meet all the criteria laid down in the Standing Order. That is a different matter.

Mr. Thorne *rose*—

Mr. Speaker: Order. If the hon. Gentleman is challenging my decision, I am not interested.

Mr. Thorne: Further to that point of order, Mr. Speaker. The urgency of this matter in Lancashire—

Mr. Speaker: Order. That is a continuation of the application. I will take the point of order from the hon. Member for Workington (Mr. Campbell-Savours).

Mr. Campbell-Savours: Have your received notice, Mr. Speaker, from the Government Chief Whip that he intends to apply for a debate on nuclear waste tomorrow under Standing Order No. 10?

Mr. Speaker: If he had made an application, I would have heard it.

STATUTORY INSTRUMENTS &c.

Ordered,

That the draft Mental Health (Northern Ireland) Order 1986 be referred to a Standing Committee on Statutory Instruments &c.

That the draft Mental Health (Northern Ireland Consequential Amendments) Order 1986 be referred to a Standing Committee on Statutory Instruments &c.—[*Mr. Durant.*]

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A useful statement

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LEYLAND TRUCKS' MANAGEMENT BACKS TAKEOVER

LEYLAND TRUCKS' MANAGEMENT TODAY BACKED A TAKEOVER OF THEIR OPERATION BY THE AMERICAN GIANTS GENERAL MOTORS.

MANAGING DIRECTOR MR LES WHARTON TOLD THE COMPANY'S 8,000 WORKERS IN A LETTER TODAY THAT THE MOVE COULD BRING MORE BUSINESS AND INCREASED INVESTMENT.

PROSPECTIVE BIDDERS FOR PARTS OF THE BL EMPIRE INCLUDING LAND ROVER, HAVE UNTIL MIDNIGHT TOMORROW TO DECLARE THEIR INTENTIONS.

SO FAR, GM HAS MADE A FIRM OFFER FOR LAND-ROVER AND LEYLAND TRUCKS AND A MANAGEMENT CONSORTIUM HAS SUBMITTED PROPOSALS FOR LAND-ROVER.

MR WHARTON TOLD WORKERS AT THE DIVISIONS PLANTS IN LEYLAND, LANCS, GLASGOW AND WATFORD: "IT IS BECAUSE WE HAVE IMPROVED SO MUCH DURING THE LAST FEW YEARS THAT A COMPANY WITH THE WORLD-WIDE STATURE OF GENERAL MOTORS HAS EXPRESSED AN INTEREST IN US AND WE SHOULD REGARD IT AS A COMPLIMENT."

"WITH APPROPRIATE ASSURANCES AN ACCEPTABLE OFFER FROM GM COULD WELL PROVIDE US WITH ACCESS TO WIDER MARKETS WHICH WOULD PRODUCE DEMAND FOR HIGHER PRODUCTION VOLUMES FROM US.

"IT COULD WELL PROVIDE A SOURCE OF FUNDS FOR FUTURE INVESTMENTS IN PRODUCTION AND DISTRIBUTION."

LATEST FIGURES FOR LEYLAND TRUCKS SHOW LOSSES WERE HALVED IN 1984 TO £29 MILLION AND IT IS BELIEVED THAT LAST YEAR'S FIGURE HAS BEEN SUBSTANTIALLY REDUCED.

MORE FIRM PROPOSALS FOR THE BL DIVISIONS ARE EXPECTED TO BE MADE BEFORE TOMORROW'S DEADLINE EXPIRES.

TINY ROWLANDS' LONRHO GROUP AND THE GRANTHAM-BASED TRUCK MANUFACTURERS AVELING BARFORD REGISTERED AN INITIAL INTEREST IN LAND-ROVER, BUT HAVE YET TO SUBMIT FIRM PROPOSALS.

THREE GROUPS ARE BELIEVED TO BE INTERESTED IN TAKING OVER THE BUS DIVISION

- VOLVO, THE LAIRD GROUP AND A MANAGEMENT CONSORTIUM ALTHOUGH NO FIRM PROPOSALS HAVE YET BEEN SUBMITTED TO BL.

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