



JU863

Secretary of State for Trade and Industry

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29 February 1984

CONFIDENTIAL  
COMMERCIAL IN CONFIDENCE

PS/Mr Lamont  
PS/Mr Butcher  
PS/Sir Brian Hayes  
Mr Sterling  
Mr Manzie  
Mr Mountfield  
Mr Dobbs  
Mr Meadway o.f.

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London SW1

Enclosures :

Copy of letter from  
Sir Austin Bide

*D. Nigel.*

JAGUAR PRIVATISATION

When we discussed Jaguar privatisation in E(A) on 15 February we agreed that the BL Board's proposals for a retained 25% stake were unacceptable and that we should proceed by way of a 100% flotation, with either a 25% holding on the employees' behalf or a "golden share" to prevent control passing overseas in the immediate future. We also agreed that while flotation on 1 May, as proposed by the Board, was desirable the need to get the method of sale right outweighed timing considerations.

2 I subsequently met Sir Austin Bide and told him of our decisions on these points; and after discussion with his Board he has now sent me the attached letter. In the light of that meeting and Sir Austin's letter I have to tell you that in my view a 1 May flotation date is no longer feasible, for three main reasons.

3 First, the original timetable for a 1 May flotation on the basis of the Board's proposals was itself extremely tight, and we have now added to the task by requiring BL and our officials to study and report on two other possible methods of flotation, and by requiring BL to unpick such of the work done so far as was consistent with the Board's proposals but not with our own preferred course. Second, as your officials have been informed, BL have run into unexpected troubles with their bankers, who are threatening to reduce the medium-term facilities available to the company if Jaguar is sold. I believe these difficulties to be surmountable, but it will require a little time, and until they are overcome it will not be possible to proceed with the disposal of Jaguar. Third, because of the need to finalise BL's 1983 accounts and to assure the availability of working capital after Jaguar privatisation, we cannot proceed to privatisation until we





have reached a decision on the 1984 Corporate Plan as a whole, including its funding implications. For technical reasons, this decision would have to be communicated to and accepted by the Board by 26 March if a 1 May flotation is to be achieved; and given that there are some very difficult decisions to be taken, especially on the future of Leyland Trucks, I do not believe that we can now undertake to deliver our decisions on that timescale.

4 You will recall that in discussion at E(A) I said that if the date of 1 May was missed it was very probable that privatisation would slip to Summer 1985. That statement was based on firm information originating from the Government Broker that 1 May was the only available slot in the new issue queue during 1984. I understand that the Government Broker has now intimated that a flotation may be possible (though not optimal from a timing point of view) on 24 July. It seems possible that the new issues queue will actually be more congested in July than in May, and Hill Samuel (BL's advisers) are currently considering assessing the diminution of proceeds on account of the deferral. The possible proceeds of a sale in 1985 are of course even less certain.

5 I understand that your Department and mine are agreed that 1 May is no longer feasible, and I have, therefore, asked that BL be informed that we accept this, and that 24 July as a flotation date should be used as the planning assumption until we can consider officials' further advice in E(A).

6 I am sending copies of this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'N Tebbit', with a horizontal line underneath the name.

NORMAN TEBBIT





MR DEADWATER COPIES TO  
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The Rt Hon Norman Tebbit, MP  
Secretary of State for Trade & Industry  
1 Victoria Street  
LONDON SW1

23 February 1984

Dear Secretary of State,

My Board met yesterday and considered its proposal to you for the privatisation of Jaguar in the light of our discussion with you last week and in the light of discussions we have had with other parties.

The letter from your Private Secretary confirming what was said at our meeting was most helpful and the Board was pleased to learn that you shared our view, at this stage at least, that Jaguar should not be sold to a foreign company.

The Board understood your wish to see Jaguar privatised through a flotation of 100% of the shares and your proviso that there should be a blocking mechanism by the use of a "golden share" against an overseas company assuming control of Jaguar strikes us on present information as quite feasible. We do not, as you will see from the attached letter to you officials, consider the idea of a 25% holding by employees to be an acceptable alternative.

The additional purpose to be served by our own proposal, for BL to retain a 25%+ stake was to minimise the adverse effects on the remainder of BL's business that could well arise from the Jaguar disposal. Although in our opinion an inferior method, we are striving to set up contractual arrangements through which, given mutual goodwill, to achieve a workable, if not wholly adequate, method of protecting the interests of both parties. We are specially anxious to avoid overturning the distribution boat of either party and, as I am sure you will appreciate, competition law poses particular limitations in this regard - not least in the important home market.

I clearly understand that although a May date is much preferred, if it becomes impossible to achieve, then the need to have a 100% flotation with adequate safeguards takes precedence over timetable considerations. The May date in our original proposal rested, as I said to you in my letter of 23 December, on our receiving an early decision from you on the privatisation of Jaguar. This has not proved possible for reasons we fully understand.



The Rt Hon Norman Tebbit, MP

23 February 1984

I have now to inform you that our discussions with the Clearing Bankers, whose approval for substantial disposals is required by the conditions of the £277m medium term loans, have led to a demand on their part for the proceeds, in whole or in part, to be applied in reduction of their loans. It is clear to us that the Clearing Bankers' determination in this matter will be affected by Government's position on the outstanding equity which you agreed to make available on the demonstration of need when approving the 1983 Corporate Plan. From our discussions with you, we concluded that while you and your colleagues had not taken a decision on this matter, there were reservations over this aspect - and possibly others - of our Corporate Plan. The funding consequences of these issues are spelt out in detail in the attached letter to your officials, but they lead my Board to the conclusion that it would be most difficult for it to take and publish a decision on the disposal of Jaguar until the 1984 Corporate Plan has been agreed between us and until we have secured our existing and proposed borrowing facilities. Indeed, Plan approval is, through its effect on our Annual Accounts, an integral part of the timetable for a disposal. The reasons for this are also set out in the attached letter.

It therefore appears to us most unlikely that we will be able to proceed with the May date for a disposal of Jaguar. As you know, there is only a small "window" during which we can effect a disposal before the XJ40 launch build-up. At the time of our recent meeting, we had been assured and reassured by the Government broker that 1 May was the only date available within the "window". However, on further enquiry we have, with the help of your officials, now elicited that a date may be made available in July.

Your officials have been fully apprised of these and all related matters and my staff will, notwithstanding the Board's views expressed above, discuss with them the alternative blocking mechanisms outlined in Mr McCarthy's letter. Equally the staff will explore with officials possible actions to overcome the funding difficulties arising from the Clearing Bankers' response to the proposed disposal.

I trust that this response from my Board, together with the detailed discussion between officials and staff, will enable you to put mutually satisfactory proposals to your Ministerial colleagues in respect of the privatisation of Jaguar.

Sincerely,  
Austin Bide

SIR AUSTIN BIDE  
Chairman