



10 DOWNING STREET

*From the Private Secretary*

6  
A/ 2 September 1985

THE LAIRD GROUP: CONTRACTS

The Prime Minister has received the enclosed letter from the Chief Executive of the Laird Group. I should be grateful for an early advice and a draft reply.

I am copying this letter and enclosure to Tony Kuczys (HM Treasury), Colin Budd (Foreign and Commonwealth Office) and Sarah Straight (Department of Transport).

David Norgrove

Andrew Lansley Esq  
Department of Trade and Industry.

SKW

# The Laird Group

PUBLIC LIMITED COMPANY

J.A. Gardiner  
Chief Executive

3 St. James's Square, London SW1Y 4JU  
Telephone: 01-839 6441 Telex: 919329

JAG/aks

30th August 1985.

PRIVATE & CONFIDENTIAL

The Rt. Hon. Mrs. Margaret Thatcher, MP,  
Prime Minister,  
10 Downing Street,  
LONDON, S.W.1.

Dear Prime Minister,

I have decided to take the exceptional step of writing to you direct because Metro-Cammell is facing a serious situation which could possibly result in its closure and also because there are two key issues which, if decided in Metro-Cammell's favour, will avoid this.

Metro-Cammell is part of The Laird Group PLC and the company responsible for manufacturing all the railcars for London Transport, all the railcars for the Mass Transit Railway Corporation in Hong Kong and all the recent railcars purchased by the Kowloon Canton Railway Corporation for the line from Hong Kong to the Chinese border.

The issues facing Metro-Cammell are immediate and serious and they are:-

1. A contract which is soon to be awarded by the Kowloon Canton Railway Corporation, Hong Kong.
2. British Rail's rolling stock purchasing policy.

KOWLOON CANTON RAILWAY CORPORATION, HONG KONG

Metro-Cammell has supplied over 700 railcars, worth over £350 million, to Hong Kong and, in recent years, the Hong Kong market has taken the place of Metro-Cammell's domestic market for which no significant orders have been placed since 1981.

Part of Metro-Cammell's strategy for survival without significant UK orders was to seek more orders from its Hong Kong customers and an opportunity was seen in the early part of this year to take advantage of the weakness of Sterling.

Accordingly, the Management set about persuading the Kowloon Canton Railway Corporation to buy more trains. Metro-Cammell succeeded in creating a market. However, the Japanese (a Consortium of Kawasaki and Mitsubishi), who have been trying for many years to take Metro-Cammell out of the Far East market, have moved in with subsidised pricing and financing packages and battle has once again been joined.

In the circumstances I believe I am justified in asking you for as much help as can be given and in particular that the UK Government should make a major political effort to persuade the relevant Hong Kong authorities that our offer to the Kowloon Canton Railway Corporation is a good one. In these marginal situations, efforts of this kind can have a vital effect.

Now I would like to turn to British Rail.

BRITISH RAIL - UK BASE LOADING

The Government has encouraged Metro-Cammell to compete for British Rail railcars in competition with British Rail's own Workshops. In February of this year we tendered for 240 Diesel Multiple Units and, despite having submitted the lowest bid, no order has been placed with us.

What Metro-Cammell requires from British Rail, if we are to remain in business and in the absence of any further UK orders, is a steady ordering programme of 200 railcars per year for three to four years. The financial authorisations have already been given for a substantial number of vehicles and we believe that we should already have received a significant order as a result of public tendering that took place six months ago.

If the Kowloon Canton Railway Corporation business is lost and British Rail fail to provide reasonable continuity of orders, then Metro-Cammell will probably go out of business, thereby opening the UK market, yet again, to overseas suppliers, simply because the UK, in this case, cannot get its act together.

Yours sincerely,

*J. A. Gardiner*

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