PREM19

73

INDUSTRIAL POLICY

(Ford Motor Company)

Ind. Policy 2

Prime Minister

Henry Ford has already thanked you for the meeting, and you replied.

No need to reply to this one.

Donald E. Petersen
Executive Vice President
Ford International Automotive Operations

Ford Motor Company
The American Road
Dearborn, Michigan 48121

July 2, 1979

1677

The Prime Minister
The Right Honorable Margaret H. Thatcher, P.C., M.P.
10 Downing Street
London, S.W. 1
England

My dear Prime Minister:

It was a great pleasure to meet you recently in London together with our Board of Directors and hear your views on the future of Britain. The occasion also was a pleasant reminder of another meeting at which I had the pleasure of meeting you in New York two years ago.

I want to extend my warm appreciation and thanks to you for taking time from a very busy schedule to meet with our Board, and I wish you every success in the challenging times ahead.

Sincerely,

Donald E Petersen

Ind Pol. MFJ

cc FCO

10 DOWNING STREET

THE PRIME MINISTER

21 June 1979

Dear Mr. Ford,

Thank you for your letter of 14 June. It was indeed a pleasure to meet you and your Board of Directors last week, and I will certainly bear in mind your kind offer to arrange a small function when I visit the United States, as I hope to before too long.

Warm regards,

Yours sincerely,

MARGARET THATCHER

Henry Ford II

vb

10 DOWNING STREET

PRIME MINISTER

This is a thank you letter from Henry Ford for the meeting last week. (Terry Beckett has also telephoned me to say how grateful he was for it and how impressed the Ford Board had been.) Henry Ford also says that he would like to arrange a function for you when you visit the USA. You might like to reply as per the attached draft.

TL

20 June 1979

Henry Ford II
Dearborn

London,

14 June 1979

The Rt. Hon. Margaret Thatcher, M.P.
10 Downing Street
London SW1 2AL

Dear Prime Minister

Before I leave Britain to return to the United States I want most particularly to thank you for your generosity in giving so much time to the Board of Directors of the Ford Motor Company on Monday. The meeting made a profound impression on us all and it was fortunate indeed that we were able to be in Europe at the time of your Government's first budget so that we could see your industrial and economic strategy beginning to unfold.

I hope and believe that the very close contacts Ford has had in Britain over many years will become even more meaningful as time goes by and Terry Beckett will, I know, do all he can to assist your decision making in any way possible.

For myself, I would like to say that I believe the kind of discussion that we had in Downing Street is worthy of a much wider audience in the United States itself. Therefore, if at any time you intend to come to the United States and have time at your disposal, I would welcome the opportunity to arrange a small function with some of the more significant leaders of American business and industry. They I know would be as encouraged for Britain's future as I have become.

Best Regards

Henry Ford

Ind Pol 2

Ford Motor Company Limited

Sir Terence Beckett CBE DSc
Chairman and Managing Director

Brentwood Essex CM13 3BW
England

June 12, 1979

The Rt. Hon. Margaret Thatcher, MP
10 Downing Street
London SW1 2AL

Private and Confidential

Dear Prime Minister,

Thank you and Sir Keith Joseph for receiving my U.S. Board yesterday at No. 10 in what is an exceptionally busy week for you.

The meeting was a very great success. All our Americans now want to nominate you for President, but I have ventured to say we cannot spare you!

Ford of Britain competes, of course, with other Ford Companies round the world for investment. Decisions on investment in one country rather than another depend crucially on opportunities, profitability and confidence. There really are opportunities in Britain we can identify; our profitability has been very good for some years and has become even better in the last few months, and a meeting such as yesterday's helps immeasurably in terms of confidence.

I am most indebted to you. May I wish you every success in what you are trying to do. It is very important for the future of the country. Be assured my Company and I will help in any way we can.

Yours sincerely,

T. Beckett.

Registered in England: No. 235446 Registered Office: Eagle Way BRENTWOOD Essex CM13 3BW

Subject

Final PS

Record of a meeting between the Prime Minister and the Board of the Ford Motor Company at 1730 hours on Monday 11 June

Present

Prime Minister

Secretary of State for Industry

Mr. David Wolfson

Mr. T.P. Lankester

Mr. Henry Ford

Sir Terence Beckett

Other members of the Board of Directors of the Ford Motor Company and of Ford of Europe Incorporated (see list attached)

Mr. Ford congratulated the Prime Minister on her Election victory and said that Ford were looking forward to working in the new business environment which they were sure would emerge in Britain under the new Government.

Welcoming the Ford Board, the Prime Minister said that Ford of Britain had been through a very difficult period last Autumn; but in her view, Sir Terence Beckett had handled the situation very well. The previous Government had imposed sanctions against Ford in a totally arbitrary manner without any supporting legislation and without any possibility of appeal to the courts. The Government would certainly try to create a better business environment so that individuals could work more effectively and companies invest more.

Sir Terence Beckett said that the Government had both the majority in the House and the majority in the country to see its policies implemented. Ford were convinced that with the changes which the Government were proposing, Ford could make real progress in Britain. He did not underestimate the current economic problems which the Government faced - notably the oil situation and the likely down turn in world trade; but the economic prospect under a Conservative Administration was brighter. Ford were embarked on an investment programme of over £1 billion in the next four years, and would continue to make a significant contribution to the balance of payments. The Company had indeed suffered in 1978 because of the strike and poor productivity but over the last six months performance had been good.

/Sir Terence then

Sir Terence then asked the Prime Minister what she saw as the Government's strategy for industry. The Prime Minister replied there were three main elements in the Government's approach to improving the UK's economic performance. First, it was necessary to alter the emphasis of policy from wealth distribution to wealth creation. It was significant that manufacturing output was still lower than it had been in 1973. It was essential to create more incentives for risk-taking and for efficient work, and this meant reducing taxes across the board. Such reductions would have to be financed partly by increases in indirect taxes, but there would also need to be a reduction in the size of the "non-productive" public sector. Only in this way would the necessary resources be switched into manufacturing and the rest of the "market" sector. Associated with these measures, the Government intended to get rid of many of the bureaucratic controls which were holding industry back. For example, it had already announced the ending of price controls and there was no intention to continue any kind of rigid incomes policy. It was a basic tenet of the Government that companies should be allowed to make their own decisions rather than the Government making them on their behalf; the private sector must take responsibility for the consequences of their own actions.

Second, it was necessary to redress the balance of power between the trade unions and management. The UK appeared to have problems on the trade union front which other countries did not have. Our trade unions were too powerful and carried too little responsibility for their actions. The laws governing trade union activity would need to be changed, but it would be necessary to move slowly to avoid unnecessary confrontation. The Government intended initially to legislate on the issues of secondary picketing, the closed shop and secret ballots.

Third, it had to be made clear that the Government on its own could not improve the country's economic performance, nor

/could it

could it take over responsibility for dealing with all and every problem that industry and the community faced. People appeared to be beginning to understand this, but there were still far too many who believed that the Government could and should step in to deal with every problem. The Prime Minister cited the current oil situation where politicians and newspapers were demanding that the Government should intervene and allocate the existing oil supplies - whereas, in practice, this would only mean inefficiency and bureaucracy. Only if the oil shortage became very much greater would Government intervention be justified. Another example was the demands of industry for subsidies when they got into trouble. This tendency must be reversed. Job creation over anything but the short term would only come if industry made profits; and in her view, small businesses would have to play a major part. There was so much over-manning in many larger companies that they would have to concentrate on improved productivity rather than providing extra jobs.

Sir Terence Beckett agreed that over-manning was a major problem at Ford. He attributed difficulties in eliminating it partly to high rates of income tax which made employees unwilling to work overtime, and partly to union intransigence. However, some of the Ford plants had an excellent track record - for example their truck plant at Langley. But there had also been a marked improvement in recent months at Halewood. Sir Terence went on to say that Ford had plans for improving efficiency. Investment in robots for paint-spray operations and spot welding would provide substantial manpower savings. The company were also trying to improve continuity of production. This was difficult, but it was critical to getting British productivity on to a par with Ford's operations in Europe. The company had introduced a system of docking £5.40 off employees' wages if there was unjustified disruption; and this was having some effect. The inefficient practices of maintenance men also had to be tackled.

/In the

In the United Kingdom, there was a tradition that maintenance engineers waited until machines broke down; by contrast, in Germany maintenance engineers worked so as to prevent breakdowns, and then if breakdowns occurred they were willing to work through the night to put the machines right. In addition, there was a reluctance amongst British maintenance engineers to keep records.

The Prime Minister asked what was the secret of the success of Ford's operation in Germany. Mr. Lutz replied that there were a number of factors. The Germans had an innate dedication to excellence and showed a discipline which was unusual. Their system of "elected workers' councils" appeared to have made a significant contribution. The participation thus achieved by the unions had worked well. Furthermore, the balance between union and management power was far better compared with Britain. This was helped by the legal framework in which the unions operated: they were subject to binding contracts, some strike action was illegal and industry could lock the unions out in certain circumstances. Moreover, employees showed a loyalty to the company which was lacking in Britain. This was partly because they did not automatically assume that, if the company got into difficulty, the Government would step in with help. The structure of the German trade unions also provided a far better basis for negotiating wages. In Britain, it was quite possible to negotiate a deal with union leaders, and then for the convenors and shop stewards to call their members out. This did not happen in Germany.

/Mr. MacDougall

Mr. MacDougall added that, having spent six years in Britain, he saw the continuity of production as the key problem although there had been improvements in recent years. But unions had been able to create disruption because their members did not have sufficient incentives to stay on the production line. He thought that with the strategy which the Prime Minister had outlined the prospects for improved performance were encouraging.

The Prime Minister pointed out that the level of vehicle imports was appallingly high. She understood that Ford themselves were having to import on a substantial scale. Sir Terence Beckett said that poor productivity and quality were the reasons why imports into Britain had increased so rapidly in recent years. Ford's strategy was based on the concept that Britain was relatively bad as an assembler of vehicles and relatively good as a manufacturer of engines and components. Hence, the company had no plans for a new assembly plant, but it was building the new engine plant at Bridgend. The latter would mean substantial imports of capital equipment, but in due course the company's contribution to the Balance of Payments should level out and improve.

Finally, there was a brief discussion of Britain's role in the EEC. The Prime Minister pointed out that the Community had a major ecomomic and political role to play, and Britain could contribute to this. On the political front, the Community could well be of assistance in bringing about a resolution of the Rhodesian problem. The Prime Minister explained that it was most unlikely that the Government would be able to get a new sanctions order through Parliament in November. But in any case, on the basis of the recent elections in Rhodesia, there was a good case for lifting sanctions and recognising the new Government. However, in order for the UK to do this, we would need the support of other countries - including of course the United States. Mr. Caldwell said that, having been in Salisbury when the Muzorewa Government was formed, he agreed with the Prime Minister's analysis. On returning to the United States he had tried to persuade the

/Administration

Administration to take a more sympathetic position; but unfortunately, the black lobby had ensured that the Administration were continuing to take an unhelpful line.

The meeting ended at 1830.

12 June 1979

TL

Distribution

Private Secretaries to
Secretary of State for Industry
Secretary of State for Trade
Foreign and Commonwealth Secretary
Chancellor of the Exchequer
Sir John Hunt.

cc Mr. Cathcart
Mr. Watson
Mr Jones

ATTACHMENT

BOARD OF DIRECTORS - FORD MOTOR COMPANY

Mr George F Bennett	President, State Street Investment Corporation, Boston, Massachusetts
Mr William O Bourke	Executive Vice President - North American Automotive Operations
Mr Carter L Burgess	Chairman, Foreign Policy Association New York, New York
Mr Philip Caldwell	Vice Chairman of the Board of Directors and President
Mr Will M Caldwell	Executive Vice President and Chief Financial Officer
Mr Joseph F Cullman 3rd	Chairman of the Executive Committee, Philip Morris Incorporated New York New York
Mr Henry Ford II	Chairman of the Board of Directors
Mr Henry W Gadsden	Director, Merck & Co. Inc. Rahway, New Jersey
Mrs Marian S Heiskell	Director, The New York Times Company, New York, New York

continued/2

continued/2

BOARD OF DIRECTORS - FORD MOTOR COMPANY

Mr J Edward Lundy	
Mr John McDougall	Executive Vice President - Operations, North American Automotive Operations
Mr Arjay Miller	Dean, Stanford University Graduate School of Business Stanford, California
Mr Franklin D Murphy	Chairman of the Board of Directors, Times Mirror Company, Los Angeles, California
Mr Robert S Oelman	Chairman, Executive Committee, NCR Corporation Dayton, Ohio
Mr Donald E Petersen	Executive Vice President - Ford International Automotive Operations
Mr Harold A Poling	Executive Vice President - Corporate Staffs

FORD OF EUROPE INCORPORATED

Mr Robert A Lutz	Chairman, Ford of Europe Incorporated
Mr Edward J Blanch	President, Ford of Europe Incorporated
Mr Walter Hayes	Vice Chairman, Ford of Europe Incorporated

FORD MOTOR COMPANY LIMITED

Sir Terence Beckett	Chairman and Managing Director, Ford Motor Company Limited

PRIME MINISTER

cc Mr. James

Meeting with Ford Board

I am afraid Sir Terence Beckett has increased the number of those who will be coming to see you on Monday to 20. The names are attached.

As I told you, I have warned Beckett that the meeting is not a "cross examination". The purpose of it is to enable the Ford Board to let you have their views. He is basically agreeable to this, and has told me that he and several of the Americans will be making short presentations. However, they will no doubt have some general questions too. Beckett mentioned the following topics:-

1) The "special relationship"
2) Our attitude to the Common Market and to the EEC
3) The UK energy situation. There is a brief on this at Flag I.
4) The general economic climate in the UK
5) Industrial relations

The meeting is being laid on in the large dining room. I have told Beckett that we have laid aside one hour in all. Drinks will be served in the Pillared Room - or if the meeting is going well, they could be brought into the Dining Room.

TL

8 June 1979

Sir Keith Joseph will be coming.

ATTACHMENT

BOARD OF DIRECTORS - FORD MOTOR COMPANY

Mr George F Bennett	President, State Street Investment Corporation, Boston, Massachusetts
Mr William O Bourke	Executive Vice President - North American Automotive Operations
Mr Carter L Burgess	Chairman, Foreign Policy Association New York, New York
Mr Philip Caldwell	Vice Chairman of the Board of Directors and President
Mr Will M Caldwell	Executive Vice President and Chief Financial Officer
Mr Joseph F Cullman 3rd	Chairman of the Executive Committee, Philip Morris Incorporated New York New York
Mr Henry Ford II	Chairman of the Board of Directors
Mr Henry W Gadsden	Director, Merck & Co. Inc. Rahway, New Jersey
Mrs Marian S Heiskell	Director, The New York Times Company, New York, New York

continued/2

continued/2

BOARD OF DIRECTORS - FORD MOTOR COMPANY

Mr J Edward Lundy	
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Mr Edward J Blanch	President, Ford of Europe Incorporated
Mr Walter Hayes	Vice Chairman, Ford of Europe Incorporated

FORD MOTOR COMPANY LIMITED

Sir Terence Beckett	Chairman and Managing Director, Ford Motor Company Limited

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01-211 6402

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

8 June 1979

Dear Tim

BRIEFING NOTE FOR THE PRIME MINISTER'S MEETING WITH FORD MOTOR COMPANY 11 JUNE

As requested by telephone I enclose a background note on the oil and coal supply situation for the Prime Minister's meeting with the Ford Motor Company representatives on Monday 11 June.

Yours sincerely
Colin L Ambrose

C L AMBROSE

PRIME MINISTER'S MEETING WITH FORD MOTOR COMPANY: 11 JUNE 1979

BACKGROUND BRIEF ON UK OIL AND COAL SUPPLY SITUATION

OIL

International Situation

1. The free world shortfall in oil supplies is, and will continue to be, about 2 - 3%.

Situation in Europe

The EEC expects an overall shortfall of 2.8% in supplies for the 1st half of 1979 against consumption, and a reduction in stocks of 2.5%. The international response to this situation has been agreement in the IEA and the EEC to reduce demand by 5% /to reduce price pressures.

UK Situation

2. The UK is getting a little more oil supply than in 1978, but demand is 3% up so far in 1979, and higher for petrol. The situation has been exacerbated by the fact that some suppliers are much worse off than others.

3. We need general economy to close the gap between supply and demand. The Government has made a general appeal to all consumers to reduce consumption by 5% overall, and is talking to CBI, AA/RAC, MAA etc. The Government is taking a lead in cutting back oil consumption in the public sector. The electricity supply industry is using coal instead of oil in electricity generation.

Ford

4. Ford (UK) have not made any representations to the Department of Energy about their supply position, although this is believed to be tight. Ford are throught to have supplemented their supplies by buying at high prices on the international spot market.

5. Ford may well complain about the increasing cost of oil. The Prime Minister could take the opportunity to impress upon Ford management the need for their co-operation in achieving economies, and enlisting the aid of their workers.

COAL

The UK position

1. The UK is the largest coal producing country in Western Europe; it is also the only country there to be investing heavily in its coal industry with a view to long term expansion.

2. NCB's total sales over the past five years were:-

Million tonnes

	74/75	75/76	76/77	77/78	78/79 (52 week base Provisional)	79/80 (Estimate)
TOTAL SALES	127.7	122.2	122.2	120.0	118.5	124
INDUSTRIAL MARKET	11.7	9.2	11.0	11.0	10.5	11

The NCB expect to sell all the 1979/80 output if CEGB achieve planned coal burn.

The European position

3. The rest of the EEC imports some 30% (50m. tonnes) of its requirements. The Community import requirement is projected to grow. All Community coal industries are heavily subsidised; the UK the least at £1/tonne, with Germany at £15/tonne and even higher for France and Belgium.

Prospects for coal in the industrial market

4. Strong competition from oil and gas is expected at least to the mid-1980s. Coal's re-entry into the industrial market is uncertain. But lower capital costs and more competivity are required with the crucial question being, how quickly fluidised bed systems can be proved and become accepted.

The Ford Motor Company

5. Ford (UK) no longer use coal. NCB hope that Ford will use coal at their new Bridgend plant, but believe oil or gas are preferred fuels.

With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

Treasury Chambers,
Parliament Street,
SW1P 3AG

INDUSTRIAL OUTLOOK

(a) Background

According to the forecast (with all its uncertainties), manufacturing output is likely to fall about 2½% between the first half of this year and the first half of next year (confidential till Budget). The immediate outlook for industry is therefore not good.

2. This is seen as being the consequence of tight monetary policy (and its effect on competitiveness through the exchange rate) combined with continued wage pressure. If the monetary climate were to have the effect of stiffening management resistance with the result that wage demands were substantially moderated, the industrial outlook would, over time, improve; but it is possible that these lessons will be learnt only at the cost of firms allowing their return on capital (now only about 4½% on average on the basis of replacement costs) and liquidity to be damagingly squeezed. The prospects for output and profits are the chief reasons for expecting fixed investment to start declining from the middle of this year.

3. Industries expected to suffer contraction between now and the end of next year include mechanical engineering (possibly a 7% drop over two years), motor vehicles, textiles and footwear, as well as steel and shipbuilding; in the case of motor vehicles this is expected to reflect the meeting of demand by imports rather than lack of demand itself. Even normally fast growing industries such as chemicals may be reduced to very slow growth.

(b) Line to take

4. In speaking to Mr Ford, the important thing is therefore to stress the steps being taken to improve the climate for industry. The background will be a financial environment which is intended to be just as tough as any pay policy in bringing pay settlements down towards a non-inflationary level: firms which wish to safeguard their profits will have to be highly

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SWIE 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

7 June 1979

Dear Tim

Further to my letter of 6 June, I now enclose two copies of a booklet from Ford giving biographical details of the US Directors of the Ford Motor Company.

Yours sincerely

Peter Mason

PETER MASON
Private Secretary

Ford Motor Company Limited
Sir Terence Beckett CBE DSc
Chairman and Managing Director

Brentwood Essex CM13 3BW
England

June 7, 1979

T Lankester Esq
Private Secretary
10 Downing Street
London SW1 2AL

Dear Mr. Lankester,

I promised to let you have a final list of the people who would be coming to meet the Prime Minister and Sir Keith Joseph at 5.30 p.m. on Monday, June 11th at No. 10 Downing Street, and this is attached.

Also attached is a booklet giving a brief biography of each of the members of the Board of Directors. Mr William Clay Ford and Mr Wharton will not be accompanying the party.

We are most appreciative that the Prime Minister can receive us at an exceptionally busy time in Budget week. I am sure it will be an enjoyable and valuable occasion for us all.

Yours sincerely,

T Beckett

Encls:

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

BF

6 June 1979

Dear Tim

As requested in your letter of 17 May, I attach briefing for the meeting which the Prime Minister will be having with Mr Henry Ford and other members of the Board of the Ford Motor Company together with a separate brief on inward investment generally. Also attached are some biographical notes on some of the personalities which the Prime Minister will be meeting; biographical notes on the US Directors are being sent from the USA and I shall forward these as soon as they arrive.

Copies of this letter go to Stephen Wall (Foreign and Commonwealth Office), Tom Harris (Department of Trade) and Martin Vile (Cabinet Office).

Yours sincerely

Peter Mason

PETER MASON
Private Secretary

CF. pls thank Mr

(1) Energy brief by 6.30 pm Friday at latest.

(2) Trade brief on business present by 6.30 pm Friday

BRIEF FOR THE PRIME MINISTER'S MEETING WITH THE BOARD OF THE FORD MOTOR COMPANY AT 1730 ON MONDAY, 11TH JUNE 1979

CONTENTS

COMMERCIAL IN CONFIDENCE

PRIME MINISTER'S MEETING WITH THE MAIN BOARD OF THE FORD MOTOR COMPANY AT NO.10 DOWNING STREET AT 17.30 ON MONDAY, 11TH JUNE

I BACKGROUND

1.1. The meeting is taking place at the request of MR HENRY FORD II, Chairman and Chief Executive of the Ford Motor Company (who is being succeeded as Chief Executive by his deputy, Mr Philip Caldwell in the Autumn but will remain as Chairman). Although Ford is a public corporation, Mr Ford and his family have effective control through personal and family trust shareholdings. A background note on Ford worldwide is at Annex A and details of the party accompanying Mr Ford are at Annex E.

1.2. The main interest of Mr Ford and his fellow board members is in broad government policy and the climate which the Administration will seek to create for business. Mr Ford has personally welcomed the Prime Minister's success and as Sir Terence Beckett said in his letter of 14 May, members of the Board welcome the election result.

1.3 We understand Mr Ford and his Board are now well pleased with the performance of their company in Britain; and this represents a very major change since the days under a previous Administration when Mr Ford said in Downing Street that they would put no further investment here. They are now operating profitably and this fact together with Sir Terence Beckett's standing with his parent Board have contributed both to their plans to invest a further £1 billion in the UK and the speed with which we have been able to surmount the hard feelings occasioned by last November's imposition of sanctions.

II POINTS WHICH MAY ARISE

2.1. From discussions with Ford of Britain, it appears that the following general points are likely to be raised:

a) How does the Prime Minister view the development of the special relationship between this country and the USA and what aspects of US policy concern her. One aspect of US policy which Ford are themselves concerned about is the ability of California to tax the worldwide profits of companies trading in that state irrespective of international double taxation agreements.

b) What is the Prime Minister's view of the respective roles of the public and private sectors in Britain?

c) Members of the Ford Board think that Britain has been a reluctant partner in the EEC and are interested in the new government's policy towards the Common Market. They also wonder how it sees the role of the new European Parliament. - This is clearly a matter of importance to Fords whose integrated European operations make a major contribution to corporate income (Annex B).

d) What is the Prime Minister's attitude to the role of the Trades Unions in British Society? Ford's take the view that they exercise a disproportionate and "non-constitutional" influence - Ford in common with other car companies operating in Britain suffer badly from industrial disruption and general shop floor bloody-mindedness (Annex C).

e) How does the Administration view the future European energy situation?

f) Does the Prime Minister envisage a more orderly approach to wages and prices? Ford have always been in the forefront of the wage battle, took a ten week strike last year and felt that in imposing

sanctions which were subsequently removed following the Parliamentary Debate the previous Administration acted unreasonably. The sanction issue caused considerable ill-feeling throughout Ford.

2.2. The Ford Board will also be interested in the Administration's budget, taxation and foreign exchange policies (it is in this respect unfortunate that the meeting preceeds the budget) and in its general approach to multi-national corporations operating in Britain.

2.3 Members of the Ford party may enquire about the industrial policies to be followed by the Government and in particular assistance towards new developments. Ford are currently in receipt of help towards the new Bridgend engine plant and developments elsewhere linked to the introduction of the new Erika car. There is a contractural obligation to pay the balance of the £75m offered by way of interest relief grant under Section 7 of the Industry Act but no such obligation in respect of Regional Development Grants where Ford took the sum of £70m into account in their original calculations but have so far only claimed £1.5m. Ford will clearly hope that any changes in policy will not reduce their payments. (Annex D).

III LINE TO TAKE - FORD AND MOTOR INDUSTRY TOPICS

3.1. The Prime Minister, in welcoming Mr Ford and his colleagues, will wish to acknowledge their company's major contribution to the British economy. We are very glad that such an influential group of US citizens should be meeting in Britain now and hope the sun will shine on their visit; Ford's mass production in Britain goes back to before the 1914/18 war and their continued prosperous operations here represent a most beneficial industrial collaboration. Over the years Ford's balance of payments contribution has

has been substantial and despite labour difficulties they have consistently invested heavily in their British facilities, behaving at all times as good citizens. In addition to Mr Ford himself - whom she could thank for his congratulatory message of 7 May - she could pay a tribute to Sir Terence Beckett as one of our leading industrialists making a major contribution to increasing the efficiency of industry here to the benefit of the country as well as his company. Lastly she might express the hope that, especially with their major investment plans for this country, Ford will be able to improve the output in their UK facilities and reduce the need for imports from the continent and increase Ford's contribution to our balance of payments. (Annex C).

3.2. On particular points:

WHAT ASSISTANCE WILL THE GOVERNMENT PROVIDE FOR INDUSTRIAL DEVELOPMENT?

The Prime Minister could say that the Government is reviewing the whole gamut of industrial assistance and that it believes the right approach is to create a climate where industry can prosper by its own efforts rather than one in which it is necessary for the Government to provide money.

DOES THIS MEAN THAT THE REGIONAL DEVELOPMENT GRANTS FOR ERIKA ARE AT RISK?

The Prime Minister might avoid being drawn on specific issues (especially in advance of the Budget) but could re-assure Ford that any changes will only be made after the most careful consideration of their consequences and that plenty of notice will be given of such changes. /CONFIDENTIAL The PM will be aware that as part of public expenditure reductions this year a 4-month delay will be imposed on payments of RDGs./

COMMERCIAL IN CONFIDENCE

WHAT IS THE GOVERNMENT'S ATTITUDE TO JAPANESE VEHICLE IMPORTS?

The topic of Japanese vehicle imports is highly charged and has always been tackled on the basis of voluntary restraint arrangements agreed between the industries with minimal Government interference. The Prime Minister could say that this seemed the best way to proceed and invite Ford's views especially as we understand that Ford are likely to take a stake in Toyo Kojo (Mazda) which will give them more direct access to Japanese products. (A more detailed resumé of the position on Japanese imports is at Annex F).

WHAT IS THE GOVERNMENT'S ATTITUDE TO THE BL/HONDA DEAL?

The Government welcomes all the efforts which BL are making to strengthen their position, including their search for mutually advantageous collaboration with overseas manufacturers. Approval for the Honda link will of course depend on the terms of the deal, which are still being negotiated. The Government is not involved in the detailed negotiations, which are a matter for BL management. (Annex G).

VEHICLE DIVISION
4 June 1979

COMMERCIAL IN CONFIDENCE

ANNEX A

FORD WORLDWIDE OPERATIONS

The Ford Motor Company is the third largest company in the world with manufacturing and/or assembly facilities in Europe, Latin America, Australasia and South Africa. It employs more than half a million people and over 2 million employees in supplying industries are dependent on the company. It supplies cars, commercial vehicles and tractors and is also involved in missiles and aerospace although non-automotive activities accounted for only 6% of sales in 1978.

2 In the USA Ford took 23.6% of the car market in 1978 (an increase of 0.2% on 1977) and 33% of the truck market (as in 1977). World-wide sales in 1978 amounted to $42,748 (compared with $37,842 in 1977) but net income fell from $1,673m to $1,589m. The company's overseas operations contributed 48% of the total net income and are much more significant for Ford than are overseas activities to General Motors. Within the USA, Ford run second to GM and although they remain well ahead of the ailing Chrysler Corporation and American Motors have not done as well as might have been expected in the buoyant home market. Indeed in the early months of this year their market share has fallen by 2% while in the first quarter, overseas operations contributed an unprecedented 63% of profits. In part this may be due to the lack of a competitive smaller car.

3 Ford USA, in common with other US assemblers face massive capital expenditure over the next few years (c$20000m) to comply with fuel economy and pollution reduction legislation. Corporate average fuel consumption for 1979 is estimated to be 19mpg and this has to be improved to 25.5mpg by 1985. As a result of these legislative requirements all car-lines and most truck lines are to be re-placed and between 1978 and 1985 22 new product

programmes will be launched compared with 6 in the previous 8 years.

4 All of this will place a considerable strain on financial, managerial and engineering resources and will leave little to spare for supporting overseas operations whose continued success will be of vital importance to the company as a whole. Indeed the need to conserve funds has been highlighted by the sale of a construction vehicle company in France and by well substantiated press reports of attempts - now abandoned - to dispose of all the company's tractor operations which have suffered from the depressed demand for agricultural machinery.

5 Until recently, Ford was the only major US assembler with no interest in the Japanese motor industry but reliable US press reports say that they are about to acquire a 25% stake in Toyo Kojo (Mazda cars) which will bring them into line with GM which has a stake in Izusu and Chrysler which is a shareholder in Mitsubishi. It is not clear what effect this will have on model policy or on the distribution arrangements for Mazda cars in the USA but it will give Ford access to Japanese models for use in third world markets where European/US supplies are no longer price competitive.

COMMERCIAL IN CONFIDENCE

ANNEX B

FORD OF EUROPE

Ford of Europe is a totally integrated manufacturing operation and all the activities of national companies, such as Ford of Britain, are tightly controlled by the European executives. All major investment decisions are taken in the European context with Ford of Europe executives responsible for planning and implementation. No other multi-national vehicle company is as fully integrated within the European market and while this is a source of flexibility and strength it also means that disruption in one country can have serious ripple effects throughout Europe as was the case during the Ford UK strike last autumn when 183,000 vehicles were lost - indeed the effects even spread to the USA because of its dependance on Britain as the sole source of tractor engines. Ford's European and Corporation executives are therefore especially sensitive to the industrial relations climate in Britain.

2 The major European operations come under the managerial umbrellas of Ford of Britain (UK-produced cars, all tractors - including those assembled in Antwerp - and all commercial vehicles - including the large trans-continentals assembled in Amsterdam); Ford of Germany (predominantly car assembly) and Ford Spain (car assembly). Components, including engines, are produced in Britain, Germany, France and Spain. In the car field, apart from Granadas and Capris which are assembled exclusively in Cologne all other cars (Escorts, Cortina/Taunus and Fiesta) are produced in at least two separate national locations. This provides considerable flexibility and some security against the effects of disruption in any one assembly location.

3 Fords most substantial recent European investment is in the new Bridgend engine plant in South Wales (see Annex D)

although they have been actively engaged in exploring possible sites in Europe for a major new assembly plant to increase capacity for producing the successor to the Cortina/Taunus (code-name Teresa). Locations under consideration were Austria, Spain, France (where Henry Ford II met the President) Portugal and Germany but it has now been reported that the necessary additional capacity will be achieved by expanding an existing facility, most probably at Valenia in Spain. The UK was never a contender for this project because of its low assembly productivity and any attempt to press this country's claims would be pointless. Formally a final decision will be taken in about six month's time.

4 For the future, the UK stands its best chance of attracting Ford investment in the engineering component and commercial vehicle fields where productivity and industrial relations are generally better than in car assembly and an actively encouraging policy is more likely to receive a sympathetic hearing.

5 The significance of the European operations as a whole to the company can be judged from the fact that in 1978 it achieved a net income of $581m on a total revenue of $9,531m (6.1%) compared with $819m on $30,498m (2.7%) for Ford of USA. Of this UK post tax profits contributed $238m.

COMMERCIAL IN CONFIDENCE

ANNEX C

FORD OF BRITAIN

Within Britain, Ford currently assemble Cortinas and a small number of Fiestas at Dagenham and Escorts at Halewood on Merseyside. The UK is also the predominant source of commercial vehicles and tractors outside the USA and a wide range of components, are produced at numerous locations in England, Wales and Northern Ireland for UK and European use. The company employs 73,000 people in this country.

2 Although 1978 performance was marred by a four week strike at Halewood in January/February and the ten week company-wide strike in the autumn, pre-tax profits for the year at £242m were only £4m lower than in 1977. The Company estimates however that but for these disputes and with better continuity of production pre-tax profits could have reached £400m. Five year statistics are attached at Annex C(i).

3 Industrial Relations and productivity remain a major problem as with the other British assemblers. Apart from major strikes numerous minor disputes disrupt production and prevent the achievement of full potential; until recently these were running at a rate of 700 a year. Ignoring disputes, productivity in Ford's UK assembly plants is poor by comparison with continental Europe; for example the company estimated that in 1977 it took 49.5 man-hours to assemble an Escort at Halewood compared with 18.3 at Saarlouis. This was attributed to over-manning, restrictive practices, poor workmanship, lack of co-operation with supervision, poor timekeeping and resistance to labour mobility. Against this, UK labour costs are substantially lower than those which obtain on the continent but the gap is getting smaller.

4 In an attempt to minimise the number of minor disputes, Fords included a bonus payment system linked to continuity of production in their last wage settlement. Results so far suggest that this has been of benefit with a substantial reduction in the number of disputes and improved production but it remains to be seen if the improvement can be maintained.

5 In April, 1978 Ford announced a capital investment programme of £1,050m over four years (including the Bridgend engine plant and car related developments comprising the "Erika" programme - Annex D). This compares with capital expenditure of £241m in the period 1974-1977 and indicates a clear commitment to this country.

6 The company is currently market leader in the UK for cars (28.6% to BL's 20.7% in the first quarter of 1979), and led commercial vehicles and agricultural tractors in 1978.

7 In the case of cars however over 50% of Ford registrations so far this year and 35% for the whole of 1978 were imported from continental Europe. In part this stems from the fact that all Granadas and Capris are assembled in Germany as are some top of the range versions of other cars but also from imports of models which are made in this country but not, according to the company, in sufficient quantities to satisfy demand. Ford points to the loss of vehicles during the strike last year, the consistent failure to achieve targets (as exemplified in paragraph 3 above) and labour shortages at Dagenham where assembly of Fiestas has been run-down to concentrate available manpower on the more profitable Cortina. The high level of Ford imports is however a cause for concern representing as it does about a quarter of total imports of cars at a time when imported vehicles account for 55% of new registrations. British Leyland are particularly hit by this and it appears that Ford's success

is at their expense since the cars which they offer are more attractive than current BL competing models. The situation is also a cause of some embarrassment in attempting to restrain Japanese imports as the Japanese can point to the relatively small market share which their products represent as compared to tied imports by Ford and others.

8 In Ford's view, the alternative to imports in present circumstances would be for them to sacrifice market share and profits to foreign competition who contribute little to the British economy since they do not believe that other UK assemblers and especially BL would benefit from a shortage of Ford cars.

9 As a result of this, Ford's contribution to the balance of payments declined to £200m in 1978 as compared with £450m in the previous year. The indications are that it will not recover despite exports of engines from Bridgend after mid-1980 unless there is a dramatic improvement in productivity in this country, since traditional UK-sourced overseas assembly facilities (for example Australasia and South Africa) are likely to look increasingly to Japan as a supplier for economic reasons and the reported acquisition of an interest in Toyo Kojo may hasten this process.

COMMERCIAL IN CONFIDENCE ANNEX C(i)

FORD UK LTD : FIVE YEAR STATISTICS

£m

SALES :	1978	1977	1976	1975	1974
Export Market	929	1066	760	548	413
Home Market	1434	1187	868	598	555
TURNOVER	2363	2253	1628	1146	968
PRE-TAX PROFIT	242	246	122	14	9
CAPITAL EXPENDITURE	163	81	56	52	52
UNITS SOLD (000's)					
Export Market	192	274	238	214	203
Home Market	481	434	406	320	399
TOTAL	673	708	644	534	602
BALANCE OF PAYMENTS	+203	+453	+394	+355	+217

COMMERCIAL IN CONFIDENCE

ANNEX D

GOVERNMENT ASSISTANCE AND THE ERIKA PROGRAMME

In January 1978, Ford was offered and accepted an Interest Relief Grant of £75m under Section 7 (regional assistance) of the Industry Act 1972 towards the £600m Erika programme comprising investment in the new engine plant (to employ 2,500 people with an annual output of 500,000 engines) at Bridgend in South Wales, re-tooling at Halewood to accommodate the 'Erika' front-wheel drive replacement for the Escort and substantial work at Dagenham, Swansea and elsewhere for component production to meet UK and European requirements for this car. This grant which was within the national and EEC criteria for regional assistance was made to secure an internationally mobile project against fierce competition from other European countries including the Republic of Ireland which could (and did) offer relatively higher levels of assistance for the engine plant. To date £71.3m of this grant has been paid and the Government is contracturally bound to pay the balance provided the project proceeds.

2 At the time of the negotiations, Ford took account of the availability of regional development grants (20% at Bridgend and 22% at Halewood) which were estimated to contribute a further £70m towards project costs. Thus their decision was based on the presumed availability of £145m by way of Government assistance. To date only some £1.5m has been claimed by way of RDG and there is of course no contractural obligation to maintain payment of their grants in the event of a change in Government policy. Ford might however claim that HMG had a moral obligation to do so and although it is unlikely that the Erika programme would be curtailed at this stage if the full sum was not paid, the Detroit attitude to future investment in the UK would be affected.

COMMERCIAL IN CONFIDENCE

3 Despite initial problems, the Erika programme is on schedule with Bridgend due for completion in May 1980 and Halewood in August of that year.

ANNEX E

PERSONALITIES ATTENDING THE MEETING

FORD MAIN BOARD

* Henry Ford II	-	Chairman of the Board and Chief Executive
* Philip Caldwell	-	Vice Chairman of the Board and President
George F Bennett	-	President of the State Street Investment Corporation
Carter L Burgess	-	Chairman of the Foreign Policy Association and Director of J P Morgan and Company
Joseph F Cullman III	-	Chairman of the Executive Committee of Philip Morris, a member of the Board of IBM and Commissioner of the Port Authority of New York
* William C Ford	-	Chairman of the Executive Committee and Vice-President - Product Design
Henry W Gadsden	-	Director of Merck and Company and a member of President Carter's Business Council
* Robert J Hampson	-	Executive Vice-President
Marian S Heiskell	-	Director of the New York Times Company
* Edward J Lundy	-	Executive Vice-President
* John McDougall	-	Executive Vice-President
Arjay Miller	-	Dean of Stanford University Graduate School of Business Studies and Director of the Washington Post
Franklin D Murphy	-	Chairman of the Los Angeles Times Mirror Company
Robert S Oelman	-	Chairman of the Executive Committee of NCR and a Director of Procter and Gamble
* Donald E Petersen	-	Executive Vice-President
Clifton R Wharton	-	Chancellor of the State University of New York, a Trustee of the Carnegie Foundation and the Rockefeller Foundation and Chairman of the Board of International Development

* Executive Directors

FORD OF EUROPE

Robert A Lutz	-	Chairman of Ford of Europe and formerly President, Mr Lutz joined Ford of Germany from BMW which company he joined in 1972 after working for General Motors and Opel
Edward J Blanch	-	President of Ford of Europe having previously been Vice-President Finance of the Ford Motor Company in the USA
Walter L A Hayes	-	Vice Chairman, Ford of Europe and a Vice President of the Ford Motor Company. Mr Hayes was previously Public Affairs Director of Ford of Britain

FORD OF BRITAIN

Sir Terence Beckett, CBE DSc	-	Chairman of Ford of Britain with whom he has spent his entire business career. Sir Terence is also a Director of ICI, prominent in the Society of Motor Manufacturers and Traders and a Governor of the London Graduate Business School, the Cranfield Institute of Technology and the National Institute of Economic and Social Research.

Brief biographies of all those attending are attached behind these briefs.

COMMERCIAL IN CONFIDENCE

ANNEX F

JAPANESE VEHICLE IMPORTS TO THE UK

These have been subject to voluntary restraint, agreed between the respective industries, not Governments; for the last three years. This has clearly been of some effect: last year the Japanese share of our car market stayed level at 11% despite an overall surge in imports, especially from Europe, to meet high demand. It is generally considered that without restraint the Japanese share might already have reached 15%, and a good deal of this would have been at the expense of BL. Despite complaints from some Japanese firms and their UK dealers, it is clear that the Japanese Government attaches importance to the arrangements, and is able to influence the industry to maintain their effectiveness.

2 Mr Nott has already emphasised to his Japanese opposite number that he attaches great importance to the continuation of the restraints on vehicles and other products, as the best way of preserving an open trade system and resisting protectionism.

COMMERCIAL IN CONFIDENCE

ANNEX G

BL/HONDA COLLABORATION

Background

On 17 May BL and Honda announced the signature of a Memorandum of Understanding on business collaboration between the two companies. The intention is to conclude an agreement involving the body manufacture (at Liverpool) and assembly (at Coventry) of a new Honda-designed car for sale by BL in the UK and EEC markets from mid-1981. BL will seek NEB and Government approval later in the summer when the full details of the agreement have been worked out. Certain other European manufacturers appear to see this collaboration as a possible back-door means of increasing Japanese penetration in European markets.

Defensive points

i) The agreement is certainly not envisaged as a cover for stepping up Japanese imports. The UK content of the car will be substantial from the outset and will be increased later. BL's support for the existing voluntary import restraint arrangements between the SMMT and JAMA (the Japanese trade association) remains unchanged.

ii) The new car is intended to have a high specification and therefore a relatively low volume of sales, accounting for less than 1% of the EEC car market. This should present no threat to the other major EEC manufacturers, whose production is much larger than that of BL or Honda.

BRIEF FOR THE PRIME MINISTER'S MEETING WITH THE BOARD OF THE FORD MOTOR COMPANY AT 17.30 ON MONDAY, 11 JUNE 1979

GENERAL BRIEF ON INWARD INVESTMENT

I. BACKGROUND

1.1. The Main Board of Ford, as with many other United States corporations, includes a number of highly influential people who also sit on the Boards of other corporations in some of which the United Kingdom has a substantial interest from the point of view of the encouragement of inward investment. It would, consequently, be appropriate to mention some of the more general aspects affecting inward investors into the United Kingdom as well as the points specific to Ford.

II. POINTS TO MAKE

2.1. The Government welcomes inward investment. This is not a new policy. It has been the consistent policy of a succession of governments over a long period of years.

2.2. The United Kingdom is a great trading nation and appreciates the need for freedom of trade. Similarly, it is a great investing nation, second only to the United States in the degree of its overseas investment in relation to its size. Equally, it welcomes the foreign investor - 20 per cent of British industry is foreign-owned - two-thirds of that by United States corporations.

2.3. If there is any change between the policy of this Government and that of its predecessors in this field, it will be that the new Government will be even more encouraging in its approach to inward and

outward investment than its predecessors.

2.4. Well-managed, medium-sized enterprises, particularly those from overseas, have had a particularly good record in the industrial relations and productivity fields. Large manufacturing units have tended to be the ones that have suffered, and the Ford Motor Company has been no exception. The Government intends by its new policies to improve that situation - and for the medium-sized company the position should become even more favourable than hitherto.

2.5. Indeed, it is the essence of the Government's approach to industry that it will create an environment in which industry will prosper. This will be achieved by reducing public expenditure and reducing taxation and, thus, providing greater incentive to individuals at all levels to work hard and efficiently. Some of the reduction of Government expenditure will inevitably fall on the subsidies hitherto handed out to industry on a lavish basis. There is confidence in the Government that people like those on the Ford Main Board will see that it is better for business in the United Kingdom that there should be less subsidy of industry with a healthier climate for industry than the circumstances which have obtained hitherto.

2.6. Despite all the adverse circumstances of recent years, the Ford Motor Company has still done remarkably well in the United Kingdom and has increased its investment here. The new Engine plant in South Wales has been regarded as a vote of confidence. Construction of that plant is proceeding well.

III. DEFENSIVE BRIEFING

3.1. Regional policy is under review by the Secretary of State for

Industry and it is not possible at the time of the meeting to give any indication to the Ford Board of the changes that might occur.

3.2. The Government in its election Manifesto did, however, say "We do not propose sudden sharp changes in the measures now in force."

Invest in Britain Bureau

5 June 1979

Ford Facts

Public Affairs Staff, BRENTWOOD, Essex, CM13 3BW
Telephone: Brentwood 253000

Sir Terence Beckett CBE DSc

Sir Terence received his training as a Mechanical Engineer at the Wolverhampton and South Staffordshire Technical College. This was followed by three years' service in the Army R.E.M.E. as a Captain in Britain, India and Malaya. He then read Economics for three years at London University (London School of Economics).

He joined the Company in 1950 as a Management Trainee. This was followed by appointments in the Office of the Deputy Chairman and Managing Director (Sir Patrick Hennessy), then as Manager in charge of Styling and then Manager, later General Manager of Product Planning Staff, an assignment he held for eight years. In this appointment he and his team were responsible for the planning of, amongst other things, the first Cortina, the Transit van and the 'D' Series truck.

In 1963 he became Marketing Manager and in the following year Director of the Car Division. He was appointed to the Board of Ford Motor Company Limited in 1966.

In 1968 he became Director of Sales, Ford of Britain, and in the following year Vice President European Sales Operations, Ford of Europe.

He returned to Ford of Britain in 1974 as Managing Director and then additionally, became Chairman in 1976.

He was awarded the C.B.E. for Services to Export in 1974 and he is a B.Sc.(Econ), C.Eng, F.I.Mech.E., F.B.I.M., F.I.M.I., and honorary D.Sc.(Cranfield).

He is a non-Executive Director of I.C.I. and of several European Ford Companies. He is also Chairman of the Ford Motor Credit Co. Ltd.

He is a member of the Council and Executive Committee of the SMMT; of the Grand Council and President's Committee of the C.B.I.; a Member of the Engineering Industries Council; a Vice President of the Institute of the Motor Industry and a member of the Council of B.E.N.

He is a Governor of the London Graduate Business School, the Cranfield Institute of Technology and the National Institute of Economic and Social Research.

He is also President of the Essex County Voluntary Association for the blind.

June 5, 1978

 Registered in England: No. 235446 Registered Office: Eagle Way BRENTWOOD Essex CM13 3BW

MR ROBERT A LUTZ

Mr Lutz, the new Chairman of Ford of Europe, has been President since July 1, 1977. He was elected a Vice President of Ford Motor Company, the U S parent, in July 1976 when he was also appointed Vice President, Truck Operations for Ford of Europe.

Before joining the company as General Manager of Ford of Germany in August 1974, Mr Lutz served as Vice President - Sales and a member of the Board of Management for Bayerische Motorenwerke (BMW) of Germany, from 1972 to 1974.

Mr Lutz's career in the motor industry began in 1963 when he joined the planning department of General Motors in New York City. He was assigned to Adam Opel in Germany in 1965. The next year, Mr Lutz was moved to General Motors of France where he was appointed Director of Sales in 1968. He returned to Adam Opel in 1969 as Assistant General Sales Manager for Merchandising, and was named Director of Sales and a member of the Board of Management the following year. Mr Lutz left Adam Opel at the end of 1971 to join BMW.

Born February 12, 1932, in Zurich, Switzerland, Mr Lutz holds bachelor of science and master of business administration degrees from the University of California at Berkeley. He was a captain and jet pilot in the U S Marine Corps from 1954 to 1959. He is married and has four daughters.

12 January 1979

MR EDWARD J BLANCH

Mr Blanch, the new President of Ford of Europe has been Vice President, Finance, of Ford Motor Company in the US since 1973.

Mr Blanch joined Ford in the US in 1952 as a cost analyst at Lincoln-Mercury Division, and subsequently served in a number of supervisory capacities becoming Controller of the General Parts Division in 1961. In 1969 he was appointed General Assistant Controller of the Company.

He became General Manager of the Industrial and Chemical Products Division in 1971, and General Manager of the General Parts Division in 1972.

Mr Blanch was born in Utica, N.Y., on March 16, 1926. He received a bachelor's degree in mechanical engineering from Rensselaer Polytechnic Institute in 1946, and a master's degree from the Harvard Graduate School of Business in 1950.

He is married with five children.

12 January 1979

Ford Facts
Public Affairs Staff, BRENTWOOD, Essex, CM13 3BW
Telephone: Brentwood 253000

WALTER L A HAYES

Walter L A Hayes is Vice President of Ford Motor Company and Vice Chairman of Ford of Europe Incorporated.

He was educated at Hampton School and in the Royal Air Force where he was a cadet pilot. After the war he was associate editor of the London Daily Mail and editor-in-chief of the Sunday Dispatch.

He joined Ford of Britain in 1962 after a career in journalism. He was elected to the Board of Directors of Ford of Britain in 1965 and appointed Vice President Public Affairs, Ford of Europe, in 1968.

He was a Director of Ford Advanced Vehicles Ltd., the company established to build the Le Mans winning Ford GT 40, and is also on the Boards of Directors of Ford Switzerland and Ford Belgium and Ford of Germany.

He was elected to the Board of Ford of Europe in December, 1976 and appointed Vice Chairman. He was elected a Vice President of Ford Motor Company on 14 April, 1977.

Mr Hayes, who was born on 12 April 1924, is married, has three children and lives at Esher in Surrey, southwest of London.

- ends -

April 1979

 Registered in England: No. 235446 Registered Office: Eagle Way BRENTWOOD Essex CM13 3BW

HS

Ind Pol

~~B/f 1 June~~

10 DOWNING STREET

From the Private Secretary

18 May 1979

I am writing to confirm the meeting which the Prime Minister has agreed to have with Mr. Henry Ford and the Board of Directors of the Ford Motor Company. The meeting will take place at 1730 hours on Monday 11 June. The Prime Minister will probably wish to have the meeting in her room at the House of Commons, but I will confirm this nearer the time.

I have mentioned the question of numbers to the Prime Minister, and she is willing to meet all the members of the Ford board who will be visiting Britain. She will of course be very happy if you will come to the meeting as well. Sir Keith Joseph will also be present.

You kindly agreed to let me know nearer the time who precisely will be coming to the meeting.

T. P. LANKESTER

Sir Terence Beckett, C.B.E, D.Sc.

GB

10 DOWNING STREET

THE PRIME MINISTER

18 May 1979

Dear Mr. Ford.

Thank you for your letter of 7 May and for your kind congratulations and good wishes.

I am very conscious of the importance of the Ford Motor Company to the British economy, and of the very large investment programme which you are undertaking here. I believe that the policies which my Government will be pursuing will benefit your company. It is certainly our intention to do all we can to create an environment in which private industry can prosper.

I understand that you will be visiting Britain in June, and Sir Terence Beckett has asked whether I would meet you and other members of your Board. I would be delighted to do so, and my office has arranged with Sir Terence that we should meet on Monday, 11 June.

I look forward to seeing you then.

Yours sincerely

Margaret Thatcher

Henry Ford, Esq.

10 DOWNING STREET

THE PRIME MINISTER

18 May 1979

Dear Sir Terence.

Thank you very much for your letter of 8 May with its message of good wishes on my appointment as Prime Minister.

You also wrote to me on 14 May about Mr. Henry Ford's visit to Britain in June. My office has already been in touch with you about this, and I very much look forward to seeing Mr. Ford and other members of his Board on 11 June.

Yours sincerely

Margaret Thatcher

Sir Terence Beckett, C.B.E., D.Sc.

2

Prime Minister

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THE RT HON MARGARET H THATCHER P.C. M.P.

THE PRIME MINISTER 10 DOWNING STREET LONDON S.W. 1

/VIA WUI/

I AM DELIGHTED TO HEAR THAT YOU WILL BE ABLE TO RECEIVE THE BOARD OF DIRECTORS OF FORD MOTOR COMPANY AT DOWNING STREET ON JUNE 11.

R

THIS IS ALL THE APPRECIATED BECUASE OF THE VERY OBVIOUS WEIGHT OF WORK THAT YOU MUST BE FACING AT THIS TIME

I

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DQA4593 THE PAGE 2/10

LOOK FORWARD VERY MUCH TO MEETING YOU

HENRY FORD II

x I have told Teddy Beckett that the meeting may have to be at the House of Commons

R

ERN UNION INTERNATIONAL INC.

PRIME MINISTER

Visit of Henry Ford

You said that you would like to see Henry Ford and members of his Board at 1730 on Monday, 11 June. I attach draft letters for you to send to Sir Terence Beckett and to Henry Ford in reply to their letters.

There is a slight problem of numbers. Terence Beckett tells me that the full Ford Board comprises 15 members, and he is very keen that they should all meet you. He says that this would do the maximum good for the UK operation of Ford; it would also be beneficial in other investment areas because there are at least 9 Board members with important banking and other interests. However, you may think that 15 people is too many. I have warned Beckett that he may have to select a smaller number. He has come back to me pleading that this would be invidious! Will you see them all, or just, say, 8?

I think Sir Keith Joseph should also be present, and also Becket himself. Agree? Yes.

I think it is all or nothing.
We could see them at the House.

MT.

17 May 1979

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ Secretary of State for Industry

Bryan Cartledge Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

17 May 1979

Dear Bryan

... I enclose a suggested draft reply to the congratulatory message from Mr Henry Ford which was attached to your letter of 14 May.

The Ford Motor Company is the only substantially profitable vehicle assembler in the United Kingdom and has a forward investment programme in excess of £1000m over the next 4 years - including the major new engine plant at Bridgend for which, together with associated car and car related developments on Merseyside and elsewhere, £75m assistance is being provided under the Industry Act 1972, in addition to appropriate Regional Development Grants. Despite sharing with the remainder of the car industry serious industrial relations and productivity difficulties, Ford have consistently maintained a good level of investment in this country and made a substantial contribution to the balance of payments. The suggested draft reply takes account of this.

You may also at this stage wish to note that the main Board of the Ford Motor Company will be meeting in the UK in June and that an invitation is likely to be sent by Mr Henry Ford to the Prime Minister and to my Secretary of State to meet the Board during their visit. This Department's reaction to such an invitation would be that it should be accepted if at all possible, not only because of the current importance of Ford to this country but also to establish at an early date the Government's wish to work closely with the company in its interests and in those of the UK, particularly where new mobile investment is being contemplated for Europe.

Yours sincerely

Peter Mason

PETER MASON
Private Secretary

DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO MR HENRY FORD.

Thank you for your letter of 7 May and for your kind congratulations and good wishes.

I am very conscious ~~and appreciative~~ of the importance of the Ford Motor Company to the British economy, ~~and of the regard which it pays to the interests of this country in all its activities~~. I believe that the policies which my Government will be pu~~r~~sing will benefit your company, ~~and~~ It is certainly our intention to do all we can to create an environment ~~with~~in which private industry can prosper.

It is also my intention to ensure that close contact is maintained at all levels between Government and industry and I am sure that the Secretary of State for Industry, Sir Keith Joseph, and his officials will wish to maintain and improve the relationships which have been established with your company.

and of the very large investment programme which you are undertaking here.

FILE Industrial Policy DS

BF 7/6/79

10 DOWNING STREET

From the Private Secretary

17 May 1979

We have spoken about the request from Sir Terence Beckett that the Prime Minister should meet Mr. Henry Ford and other members of his Board when they visit Britain in June. The Prime Minister has now agreed to such a meeting, which will take place - probably here at No.10 - at 1730 on Monday, 11 June. I have informed Sir Terence Beckett of this.

I would be grateful if you would let me have briefing for this meeting - to reach me by close of play on Thursday, 7 June.

I am sending a copy of this letter to Stephen Wall (Foreign and Commonwealth Office), Tom Harris (Department of Trade) and Martin Vile (Cabinet Office). I enclose for you only a copy of Sir Terence Beckett's letter of 14 May, which gives the names of Ford's outside Directors.

T. P. LANKESTER

Andrew Duguid, Esq.,
Department of Industry.

cc Mr James

PRIME MINISTER

c.c. Mr. Cartledge

Visit of Henry Ford

Sir Terence Beckett has written you a congratulatory letter (flag A) and followed it up with a letter (flag B) proposing that you should meet Henry Ford and the rest of the Board of the Ford Motor Company when they come to Britain in June.

Ford of course have a massive investment programme in the UK - over £1 billion over the next four years - and they did not cut it back following last Autumn's strike. The Company's performance has been very good since the strike.

Sir Keith Joseph thinks it would be excellent if you would agree to see Henry Ford and his Board. He has an assurance from Beckett that they will not be coming to ask for additional government aid, but rather to express their enthusiasm for developing their business in the UK under a Conservative administration.

Of the dates offered, your diary would allow you to see them on Monday evening 11 June or Thursday evening 14 June. You could either have them in for an hour at 1730; alternatively you could No offer them dinner. On the whole, I would have thought a simple meeting would be preferable.

Shall we fix this up? And do you have a preference as between the Monday and the Thursday? On the Monday afternoon you at present have nothing after your lunch with Mr. Muldoon; on the Thursday, you of course will have Prime Minister's Questions (but nothing after that).

I will let you have drafts for you to send to Beckett and to Henry Ford (he has also sent a congratulatory letter) when you have decided what you want to do.

Monday evening
5.30 I think.

TL

16 May 1979

OW

Ford Motor Company Limited

Sir Terence Beckett CBE DSc
Chairman and Managing Director

Brentwood Essex CM13 3BW
England

May 15, 1979

T Lankester Esq
Office of the Prime Minister
10 Downing Street
London SW1 2AL

Dear Mr. Lankester,

Following our conversation yesterday, I am enclosing my letter to the Prime Minister inviting her to a meeting with Mr Ford and the U.S. Ford Board during the week commencing June 10th.

This meeting could be of benefit to Britain as well as Ford of Britain, in terms of future investment and the members of the U.S. Ford Board, as you will see, are an important group of opinion formers in the States, including the Chairman of the Los Angeles Times, and Directors of the New York Times and the Washington Post.

Thank you for your help in what could be an important opportunity for us all.

Yours sincerely,

T Beckett.

File

10 DOWNING STREET

From the Private Secretary

14 May 1979

I enclose a copy of a congratulatory message which has been addressed to the Prime Minister by Henry Ford II.

I should be grateful for advice on a reply which the Prime Minister might send to Mr. Ford. It would be helpful if a draft could reach me not later than 18 May.

I am sending a copy of this letter and enclosure to Stephen Wall, (FCO).

E. G. CARTLEDGE

Peter Mason, Esq.,
Department of Industry.

Ford Motor Company Limited
Sir Terence Beckett CBE DSc
Chairman and Managing Director

Brentwood Essex CM13 3BW
England

May 14, 1979

The Rt. Hon. Margaret Thatcher, MP
10 Downing Street
London SW1 2AL

B

Dear Prime minister,

Further to my letter of May 8th I have just heard from Mr Henry Ford II and other members of the Board of Ford Motor Company and they are most anxious to meet you, if this is at all possible, during their visit to London in June when they will be reviewing future investments in Europe.

In common with many, many other people they have been most heartened by what has been happening in Great Britain recently and in view of Ford's growing commitment to the British economy, I believe an exchange of views would be most helpful.

Mr Ford and the Directors appreciate, of course, that you must be snowed under at this moment and they asked me to say that they would be delighted to meet with you either for dinner or at a location of your choice on either:

- Sunday evening, June 10th ×
- Monday evening, June 11th ✓
- Thursday, June 14th - any time after 12.30 including dinner. ✓

On Wednesday, June 13th, they have a major reception at the Royal Academy of Arts at 7 p.m., which will go on until 9.30 p.m. and you would be very welcome there or afterwards.

Continued.....

The Board of Directors of the Ford Motor Company includes a number of outside Directors, whose views are also important where European investment is concerned. They include:

George F Bennett, President of the State Street Investment Corporation.

Carter L Burgess, Chairman of the Foreign Policy Association and Director of J P Morgan and Company.

Joseph F Cullman III, Chairman of the Executive Committee of Philip Morris and member of the Boards of IBM and Commissioner of the Port Authority of New York.

Henry W Gadsden, Director of Merck and Company and a member of President Carter's Business Council.

Marian S Heiskell, Director of the New York Times Company.

Arjay Miller, Dean of Stanford University Graduate School of Business and Director of the Washington Post.

Franklin D Murphy, Chairman of the Loss Angeles Times Mirror Company.

Robert S Oelman, Chairman of the Executive Committee of the National Cash Register Corporation and a Director of Procter and Gamble.

Clifton R Wharton, Chancellor of the State University of New York and a Trustee of the Carnegie Foundation and the Rockefeller Foundation and Chairman of the Board of International Development.

Continued.....

May 14, 1979

The Rt. Hon. Margaret Thatcher, MP

Page 3

I would only say that many of these whom I met seem to me to have an entirely positive attitude towards this country as a result of your election victory and I cannot but believe that if you could find time, albeit in a busy program, it really would be very helpful. I should also add that if you feel that any of the Ministers in your Government should participate in any affair on any of the dates I mentioned, they will, of course, be very welcome.

Mr Henry Ford desires to make a personal invitation to you, but recognising the enormous weight of work that you have on your desk at the moment, wanted me to ascertain first of all if you might be available.

Yours sincerely,

L Brandt.

Ford Motor Company Limited
Sir Terence Beckett CBE DSc
Chairman and Managing Director

Brentwood Essex CM13 3BW
England

May 8, 1979

The Rt. Hon. Margaret Thatcher, MP
10 Downing Street
London SW1 2AL

Dear Prime Minister,

May I add my own congratulations to those already conveyed by Mr Henry Ford II upon the success of your election campaign and wish you well in the leadership of the Government you have now formed.

The result of the election was strong testimony that this country still recognises those values which you represented and articulated with such courage and determination.

Our belief that Britain now has real opportunities for growth in the Eighties - a belief we have already backed with an investment programme of £1,058 million in the next four years - has been correspondingly strengthened by events.

Next month Mr Henry Ford II is making a short visit to this country and I know he would very much like to meet you. Would it be possible for you to have dinner with us on Monday, June 11th ?

Yours sincerely,

T Beckett.

Henry Ford II
Chairman of the Board

Ford Motor Company
The American Road
Dearborn, Michigan 48121

R13

May 7, 1979

The Prime Minister
The Right Honorable Margaret H. Thatcher, P.C., M.P.
10 Downing Street
London, S.W. 1
England

My dear Prime Minister:

I want to congratulate you on the victory of the Conservative Party last Thursday and send you my very best wishes as you lead the Government at a very difficult time for Great Britain.

Ford Motor Company has played an important role in the British economy over the years. I hope that the close communication which has developed between Ford and the Government through that time will continue in the future.

Certainly, you may be assured that, while we strive to maintain and improve the profitability and efficiency of our operations in the United Kingdom, we also are conscious of our wider responsibilities as a major force within British industry.

Best Wishes

Henry Ford II

END

Filmed at the National Archives (TNA) in London

February 2010