

CONFIDENTIAL FILING

Possible sale by the Laird Group
of Metro-Cammell.

INDUSTRIAL
POLICY

September 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
18.4.86							
<p>PREM 19/2244</p> <p style="text-align: right;">4/2/15 keep TMA MSS</p>							



10 DOWNING STREET

Prime Minister

The possible sale of
Metro-Cammell was
mentioned by Mr Ridley at
a recent meeting.

This could become
sensitive, partly because of
controversy over the future
of British Railways' workshops.

But there seems no need for
you to intervene at this stage.

DLW

18/4.

MB

FB pre

MR NORGROVE17 April 1986METRO-CAMMELL

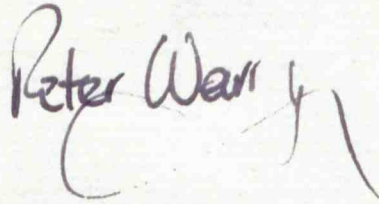
Inter alia the Laird Group have two subsidiaries: Metro-Cammell Weyman who make buses and Metro-Cammell who make and design light railway vehicles and tube trains. Metro-Cammell largely assembles other peoples' bits and pieces; very roughly it employs 400 people and has a turnover of £25m per annum.

Although the company is probably profitable, it is highly dependant upon major international contracts which by their nature are sporadic. The risks involved in these contracts are out of scale with the size of the business and its contribution to the Laird Group profitability. Domestic opportunities are limited by (implicit) subsidised competition from the far larger BREL.

Present plans for the privatisation of BREL are to split off its maintenance activities, and then sell the manufacturing operations probably in three or four separate parts to trade buyers during 1987. BR recognise there is already over-capacity and would anticipate some rationalisation during this process. Metro-Cammell would probably only be interested in acquiring the fragments of the BREL business which compete directly with its own operations.

British Rail and the Department of Transport would clearly like to retain Metro-Cammell as a competitor for orders and a prospective purchaser of privatised BREL. GEC would also like to see Metro-Cammell remaining as a separate operation and an alternative customer for GEC products, but GEC would no doubt prefer to take the business over than have it fall into foreign hands. (GEC are already indicating they would need DTI funding to support such an acquisition).

The Laird Group are as yet only exploring the sale of Metro-Cammell, we believe it would be entirely wrong to seek to interfere in their private affairs. The only legitimate way for the DTP to influence Laird is through their commercial interests. In other words more work from British Rail or London Transport, or the promise of parts of BREL at a price too good to turn down.

A handwritten signature in dark ink, appearing to read "Peter Warry". The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

PETER WARRY

Metro Casswell Contract: Hay King

Aug 81.

The following is a copy of the letter from the
Metro Casswell, which is being sent to you for
information. The only change in the original
copy of the letter is the name of the
contractor, which has been changed to Hay King.
The letter is dated 21st August 1981.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

14 April 1986

Dear Paul

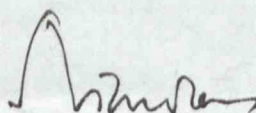
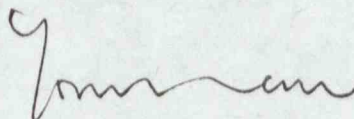
I have been concerned to learn that the Laird Group have invited interested parties to make offers, by 15 April, for their Metro-Cammell subsidiary, which builds railway vehicles. I gather that in addition to GEC and one other UK firm, the Laird Group have sought proposals from firms in Sweden, France and Japan.

Metro-Cammell have told my Department that the Laird Group is not necessarily offering Metro-Cammell for sale to one of the overseas parties, and other arrangements are for discussion, over a longish timescale. But GEC have told my Department that what they have received is the documentation for an offer for sale with a request for proposals by 15 April, and they are preparing to make an offer by that date. It is not clear from anything that Metro-Cammell have told my Department why the Laird Group need to take these decisions now. Metro-Cammell have told my Department that their preferred solution would be for Metro-Cammell to purchase parts of BREL from British Rail, but that is to try to pre-empt decisions which we and the Railways Board have yet to take later this year.

It is the case that over the years the Laird Group have been helped by very substantial Government efforts, both towards obtaining orders in Hong Kong, and to have the opportunity to obtain substantial orders from British Rail. We have throughout been conscious of the importance of Metro-Cammell as a private sector supplier in the UK of rail vehicles to British Rail and to London Transport. We shall I am sure be lobbied to exert pressure in favour of a "UK solution". We ought to settle our position on this, having in mind that later we shall have to decide whether foreign purchasers would be acceptable for BREL.

I do feel it would be helpful if the Chief Executive of the Laird Group, Mr Gardiner, could explain their position properly to you before they take decisions. It would also be helpful to have time to take a view on the structure of the railway manufacturing industry in the UK and the extent to which we should welcome entry by overseas firms.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, the other members of MISC 126, and Sir Robert Armstrong.



NICHOLAS RIDLEY

Original filed on
HONG KONG:
Contract for
Kowloon-Canton
Railway: Aug. 1981.



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Trans.

10 DOWNING STREET

THE PRIME MINISTER

26 September 1985

Dear Mr. Gardner

I was very concerned to hear from you of the threat to Metro Cammell's future, which you described in your letter of 30 August.

I know that Metro Cammell have made strenuous efforts to win orders to fill the long foreseen gap in London Transport orders for tube stock. The Government has also helped Metro Cammell with offers of grants amounting to some £15 million over the last six years to develop new vehicles and equipment.

I was therefore particularly delighted to learn that Metro Cammell has today been successful in obtaining the KCRC contract. I know that officials both here and in Hong Kong did all in their power to assist Metro Cammell to obtain the order and that Ministers who were recently in Hong Kong stressed to the Hong Kong Government the importance the UK Government placed on the contract being awarded to Metro Cammell. I hope that this success bodes well for the company's future prospects in this market and that you will win further orders.

I also understand that British Rail hope to announce soon the outcome of the tenders for Diesel Multiple Units. One of the objectives of the Public Purchasing Initiative is to give UK companies access to the home market in a way which will strengthen their ability to export, and the nationalised

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industries have given their support to this. In the last resort, however, decisions on where to place orders have to be matters for the commercial judgement of the business concerned, as I am sure you will recognise.

Warm regards.

Yours sincerely

Margaret Halpern

J.A. Gardiner, Esq.