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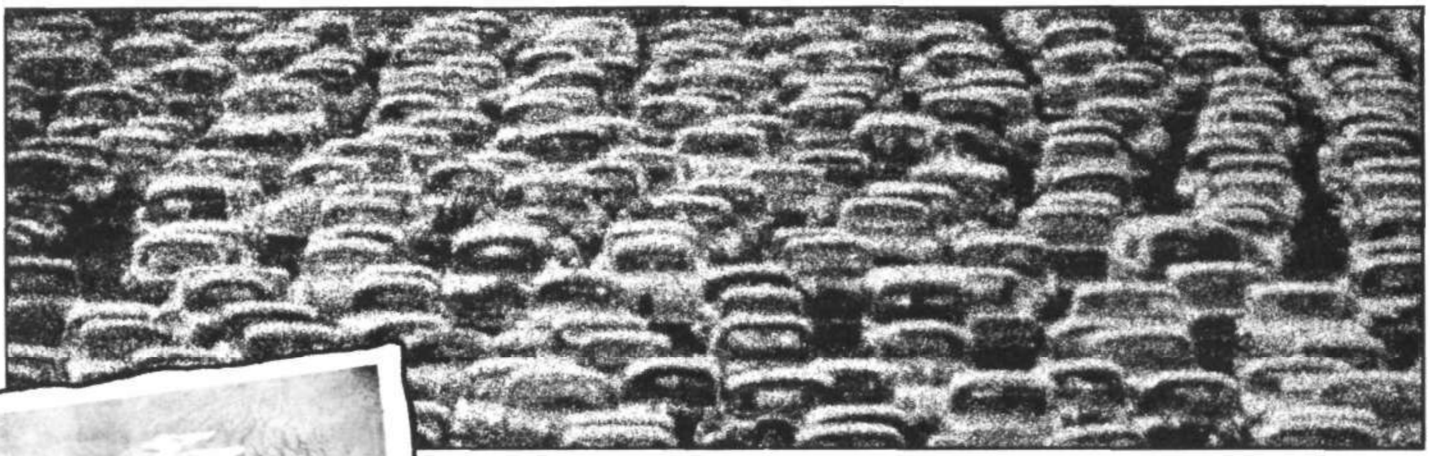

The layoffs at Cowley and the Triumph and Rover plants in the Midlands give an indication of the depth of the crisis BL (formerly British Leyland) is now facing. They follow the announcement last September that BL planned to close or partially close 13 plants with the loss of 25,000 jobs. Despite what the Society of Motor Manufacturers and Traders called 'Britain's car buying boom', BL's car sales were 16,000 lower, at 24,000, in January 1980 than in January 1979. In the first month of the year BL took only 15% of the UK car market. And in goods vehicles BL's market share has fallen from 28% in January 1979 to 21 % in the same month this year.

These figures are a continuation of recent trends. In the whole of 1979 BL's share of the vehicle market was 18.7% (cars) and 22% (commercial vehicles). But the decline of the company becomes most apparent when they are compared with the position at the start of the seventies. In 1971 50% of all the cars and 35% of all the goods vehicles sold in Britain were made by British Leyland.

A major reason for the decline in car sales particularly in recent years is the lack of new models in the middle of the range. The Allegro was introduced in 1973, the Marina in 1971 and the Maxi in 1959. In contrast competitors are able to offer cars developed much more recently. Volkswagen/Audi for example, has a range of models of which the oldest was introduced in 1972. And Ford's current versions of the Fiesta, Escort, Cortina, Granada and Capri were introduced in 1977, 1975, 1976, 1974 and 1977 respectively. (A number of the Ford models have also received facelifts since introduction.)

To find the reason for BL's inadequate range of models it is necessary to go back to the period when the company was in private ownership. At that time BL was investing significantly less than its major foreign competitors. In 1973 for instance BL invested £63 million (4.0% of sales) while Peugeot invested £80 million (6.0%); Renault £84 million (6.6%); and Volkswagen, modernising its model programme invested £237 million (9.2% of total turnover).

As the Ryder Report noted when the privately owned company collapsed in 1975, profits had gone to shareholders not into new investment. 'Despite the low level of profits, BL has over the period distributed nearly all of them as dividends. In our view this policy was clearly wrong'.

The Mini Metro, the new car due to be introduced this autumn, is the first fruit of the new higher levels of investment made possible after the state take-over of the company. But here too progress has been slower than it need have been because the government in the past impeded the flow of money into the company in a misjudged attempt to link investment with industrial relations.

Even with the Mini Metro, BL's range still has alarming weaknesses and it was this which led to the link with the Japanese company Honda announced in April last year.

BL is to assemble a Honda model in the UK, code-named the Bounty, and although it is hoped that in time half the components will be made in Britain, the Japanese company will continue to supply the engine and gearbox. The Bounty is to be introduced next year and BL hopes that it will have sales of 70,000 a year.

This link with Honda appears to offer a short term answer to some of BL's greatest difficulties. But it is not without hazards. Unless BL develops its own successful models it may be drawn into a one sided partnership with the Japanese company in which BL simply assembles Honda cars for sale in the UK and Western Europe. If BL is to survive as an independent producer and indeed if BL is to co-operate on equal terms with other manufacturers it must invest in new models of its own. BL needs substantial funds for investment both to match its competitor's current levels of spending and to make up ground lost in the past.

But this investment will only bring increased sales in the medium to longer-term. In the meantime BL is bleeding to death because of lack of sales. Import controls are needed to provide an adequate domestic market for BL in the short term. And in the long term controls on trade seem essential to ensure that the company is able to reap the benefits of its investment programme.

The stakes involved in BL's survival are high. Some 500,000 people depend on the company directly or indirectly for a job and despite its decline it remains the UK's largest domestic vehicle producer, and is the country's largest single net exporter. In 1978 its exports of £910 million were equivalent to 70% of total imports from Japan. Sir Michael Edwardes, BL Chairman, has shown himself determined to smash workers' organisations at BL but the fruits of his policy are the company's declining production levels and market share.