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The Rt Hon Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Dear Secretary of State

Re: Melrose's hostile takeover bid for GKN

As you are aware, the Midlands based engineering firm GKN is currently defending itself against a hostile takeover bid by Melrose.

A takeover of GKN by Melrose will mean the break-up of GKN and the disposal of its various divisions comprising including aerospace, driveline, powder metallurgy and additive divisions.

We are writing to highlight the critical importance of GKN to the Midlands and Birmingham economy. It is one of the city region's anchor employers. It employs large number of workers, sources components from supply chains that benefit the economy, delivers exports for the region and the country, supports key assemblers like JLR, and continues to invest heavily in the future driveline technology needed by electric cars.

GKN operations in the city region include not only GKN head office at Redditch but also GKN Freight Services (Redditch), GKN Aerospace Services (Birmingham), GKN Driveline (Birmingham), GKN Driveline Services (Sutton Coldfield) and – not far away – GKN Wheels & Structures (Shropshire).

GKN plc is in short a Midlands based engineering and manufacturing powerhouse. What sets this firm apart isn't just technology, design, engineering and production skills or even its efficiency but rather the leading positions that the firm has achieved across the markets in which it operates and the way in which GKN continues to invest in and grow them. GKN quite literally puts the 'engine' in the Midlands Engine.

A Melrose takeover and break up will threaten this critically important industrial base in our region.

To take just one local example, GKN Driveline (with its base in Erdington in Birmingham) supplies a range of driveline related products to a majority of the world's leading vehicle manufacturers.

GKN Driveline in Birmingham employs around 850 personnel of whom around 540 are engaged in direct manufacturing and around 255 are either indirect or staff. Sales last year were approximately £195 million.

The Americas account for 36% of GKN Driveline sales, Europe 37% and the rest of the world 27%. Since 2010 sales have risen by close to 50% and the company anticipates significant growth ahead. Its customers are international: Fiat Chrysler, VW Group, Ford and GM each account for in excess of 10% of GKN Driveline product sales worldwide with Renault-Nissan at 9%, Toyota 7% and Tata Group which includes Jaguar Land Rover at 5%.

As has been noted by a number of commentators, the investment community has wanted to see GKN broken up for years, just as it profited from the takeover and breaking up of many once great Midlands engineering firms.

We are writing to stress the significance of GKN to the region's economy and to register our concern that the takeover and break up of GKN could mean the loss of this important industrial asset to our region.

This doesn't have to happen. Section 58 of the 2002 Enterprise Act allows for the Secretary of State to intervene in mergers where they give rise to certain specified public interest concerns, including issues of national security.

Given wider GKN involvement in aerospace for military use, we are writing to highlight that the Public Interest test applies here under the national security element of Section 58 and that the UK government has the power to consider the takeover and whether it is in the public interest.

A great Midlands based engineering firm is at risk of being dismembered and sold on by Melrose.

Given the importance of the firm to the region's economy and given Prime Minister's stated view on takeovers, we feel this is a critical test of the government's industrial strategy. It is time to put long term investment ahead of short term speculation.

We urge you to examine the takeover under s58 of the 2002 Enterprise Act on Public Interest grounds.

Yours sincerely



Councillor Ian Ward
Leader of Birmingham City Council



Councillor Brett O'Reilly
Cabinet Member for Jobs and Skills