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In October 1970 BSA rocked London. With great pomp and ceremony, the BSA-Triumph division of Birmingham Small Arms Ltd. launched its new line of motorcycles in a plush London hotel. The event was a dazzling display: each machine was unveiled to the bump and beat of hot music and leggy gyrations from the Young Generation, Britain's smash-hit group. The all-new, or extensively revised, BSAs and Triumphs were hailed as designs to swing Birmingham into the big-buck Seventies the Occidental answer to Honda.

Eight months later BSA rocked London again, but this time in a far different way. BSA revealed serious financial difficulties. Officials projected an expected trading deficit for the year to July 31, and the figures in red amounted to more than $6.25 million (£ 2.5 million). This loss compared to a $3,128,362 (£ 1,255,749) profit for the previous twelve-month period. The plunge was due entirely to the disastrous performance of the motorcycle division, which represented three-fourths of the company's turnover and capital employed. Naturally, the London pundits probed, criticized and marked down BSA shares to 42 cents (171/2p) from the 1971 high of $2.10 (871/2p). They concluded, with that expert's special brand of gloom, that BSA would need a miracle to stay alive. And the average motorcyclist, unversed in high finance but interested in British motorcycles, yelped oh-bloody-hell and asked: "How and Why?"

One short and oversimplified answer is inaccurate market forecasting and failure to deliver the goods. But even the benefit of high-powered hindsight makes it difficult to pinpoint exactly where the crisis of 1971 took root. In a way, the sorry mess began when economic and social changes which put the British working class on four wheels killed the big motorcycle as a daily transporter. Of course this was no overnight phenomenon, but a painful process which slowly strangled the industry and scrapped many famous brand names. When times irrevocably changed, BSA-Triumph emerged as the sole surviving British motorcycle manufacturer of size, with a work force of about 6,000 and an annual turnover figure above $66.5 million (£ 27 million).

Despite being big in Britain, BSA fell into a vulnerable position. There wasn't much big bike business at home (everyone had bought Minis), and import machines controlled that part of the home market which was mainly made up of small capacity bikes. Year after year, new machine registrations recorded the growing strength of the "moped" and 50cc utility models. In 1969, the tiddlers accounted for 44,000 registrations, moving upwards to top 59,000 in 1970 with a 56% share of the British market. New 1969 registrations in the over-250cc classes were 6,402. If the big bike wasn't dead in England, it was seriously crippled.

Various BSA attempts to redress the home-product/import imbalance didn't work well. The last big effort, Project Ariel3, was a fiasco. Introduced in June 1970, the Ariel-3 simply failed to snatch a portion of the tiddler market away from the kingpins, Puch and Honda. The Ariel-3, which was supposed to revolutionize motorized transport, proved just too tricky.

The "3" part of the Ariel specified the number of wheels, a narrow-track pair behind and a single front. The engine-and rear-wheels package was "Tri-Torqued" to the cycle, whereby the front end was steered and banked conventionally while the rear wheels stayed glued to the pavement in a strictly upright fashion; the whole contraption couldn't be capsized. Simple to ride and stable as well, the Ariel-3 promised the family a fun machine with vogue appeal. The housewife could find immediate freedom from traffic and parking problems during shopping expeditions in those environments where even a Mini is a monster.

Certainly, the Ariel-3 was a very Bright Idea, and it worked well enough within the limitations of 49cc. But the Ariel-3 banged against consumer resistance. The market-surveyed consumers thought the trike "didn't look right" or "it looked funny." The shaken Ariel-3 market men felt like Galileo trying to sell his ideas on the universe to 15th-century Romans. Worse, the little Ariel was unmarketable in the United States. During the course of a conversation held in the back of a Cadillac in Ia Quinta, Peter Thornton confided that he, as President of BSA/Triumph in America, had been asked to sell 40,000 Ariels. "If they want to move 40,000 of the things in this country," he said, "they're going to have to send somebody over who can sell them. I can't." And since the BSA management hierarchy failed to produce a coherent development-production-promotion policy, the last gasp of steam shortly blew out of the sales program.

For better or worse, the greater proportion of BSA activities involved overseas big-bike markets, with the major push in America. Each year 50% to 75% of BSA and Triumph products have made the trans-Atlantic trip. This reliance on a single country did prompt occasional fears about catching a cold every time the U.S. economy sneezed, but BSA gratefully embraced the North American market and ignored others. BSA and Triumph motorcycles sometimes failed to reach their American destinations on time, partly because of managerial short-comings and partly because of peculiarities of the American motorcycle sales pattern.

BSA matched their strategy to the short American March-June selling peak, and developed a stop-and-go and year-to-year assessment of probable U.S. needs. Furthermore, the impatience of the Americans to sell on a sellers' market undoubtedly overtaxed BSA's production resources, or more precisely, their capabilities of employing those resources to the fullest extent. The enthusiastic "let's-go" prompting from the United States encouraged an "it'll come right on the night" euphoria in Small Heath.

Another factor in BSA's U.S. performance was (and still is) the pressing need for introducing updated models and feeding in new designs, in order to keep pace with the competition. Obviously, these things must be carried out with speed and on schedule, otherwise an entire year's operations can be thrown into chaos. Unfortunately, it's one thing having the knowledge and something else applying that knowledge to full benefit.

So it boils down to this: BSA finalizes its plans in September on the assumption that Californians and other Americans will buy X-number of motorcycles in March, and these calculations must be accurate. Somebody at BSA who supposedly read the U.S. economic smoke-signals forecast the recession continuing into 1971. Acting on this advice, BSA formulated off-peak production plans with the utmost caution. At the same time, they prepared the ground for increased production on the first signs of an American upswing. The signs appeared in January when the gloom-forecast turned to boom-forecast. In England, BSA stepped up production immediately and progressively, but ineffectively as it turned out. Production fell well short of target; eventually the year's count actually showed a slump of 7% compared to 1969's bad year. The missed opportunity had one caustic London columnist commenting: "BSA snatched disaster from the jaws of success."

Judged solely by BSA profits over six years, motorcycle manufacturing isn't exactly an exciting growth industry. Although 1965-68 consolidated pre-tax profits remained fairly constant at over $7.5 million (£3 million), they fell to $2,115,862 (£ 846,429) in 1969 and lower still the following year. On the stock market, the company performed wildly. For a time during 1968 they hit a dizzy $5.90 (237 1/2p) on the strength of grossly optimistic forecasts, then collapsed in 1969 to 78 cents (321/20) on the results.

The figures don't reveal all. For example, unit production costs skyrocketed while only a small proportion of the increase could be passed on to the customers. Raw material costs jumped steeply (steel prices soared 20% in 1969 and again by a smaller percentage in 1970). Additionally, Britain passed through a phase of unprecedented industrial unrest (the number of strikes doubled in a single year); standstills on the docks and in component factories hit BSA particularly hard. England's economic climate was one of stagnation, and the captains of industry preached profound pessimism.

Though the gloom thickened over England, BSA plowed ahead. First, a princely sum went into modernizing and reorganizing the Small Heath plant in Birmingham following the closing of nearby Redditch factory. Second, a design and research center housed in Umberslade Hall received a lavish dose of engineering brains. Thirdly, a complete reorganization of BSA-Triumph U.S.A. took place.

The major injection of capital and new equipment into Small Heath aimed to improve efficiency, boost productivity and make BSA generally more competitive. But whatever the merits of push-button engineering British-style, quality control wasn't among them. The BSAs that rolled out from Birmingham were literally busting out all over (don't ask why Triumph managed better at Meriden). Problems? Initially, the lube-tube frames gave trouble. When the engines were torqued into the frames, just enough distortion occurred to spread a weld at the bottom of the frame member carrying the oil. And a fascinating one: the BSAs were arriving in the United States drowning in rust. The problem was so bad that, according to Thornton, an entire "assembly" line was established in Duarte, California to make the bikes presentable. Thornton told a Cycle staffer that the problem had to do with the crates the bikes were shipped in. The crates were constructed of green wood; inside, an open-bottomed plastic envelope covered the individual motorcycles. Moisture would emanate from the crates and collect under the plastic envelopes: instant rust. According to Thornton, inquiries were made in England about the problem, and an engineer-type came up with what he considered to be a solution: the bikes could be shipped in open wire crates, the rusting problem would be solved, and they could save, with the wire crates, $6.00 per shipped motorcycle.

Image

But the British hierarchy balked. "What," they wondered, "shall we do about all those out-of-work crate-makers?"

When BSA launched the swinging '71 range, it included the all-new 350cc twin-cylinder, double-overhead-camshaft, five-speed, electric-start Fury (BSA) and Bandit (Triumph) which were nothing like any BSA or Triumph you'd ever seen. At the same time, the everything-must-change policy for '71 produced a degree of rationalization. New hubs, brakes and front forks were shared by the 350s, the 750 triples and 650 twins of both breeds. Similarly, BSA and Triumph 650s came equipped with identical oil-carrying frames and other interchangeable parts. Attractive BSA 500cc singles supplemented the traditional multis: the Victor Street-Trail, Street-Scrambler, and the 500 MX, all based on the works motocross bikes. The big bangers had 250cc counterparts: trail bikes and street-scramblers outfitted in BSA and Triumph guises (identical except for decor). And acres of American advertising, keyed to production expectations, displayed the whole glorious picture.

Then came assembly-line reality. The all-at-once challenge proved too much to handle. BSA planners and production engineers fell down on their attempts to turn paper hopes into end products. Bad: the Bandit-Fury lines stopped dead in their tracks (and if the lines ever become productive, they'll be sending out 1973 models). Worse: the dislocation of production "attributable mainly to delays in completing design and development of the new models" slammed the push-rod triples, twins and singles into the ground. Small Heath and Meriden all but staggered to full stops.

Ironically, when management consultants Cooper Brothers and Company were assessing the lost 1971 millions, production started to run 50% higher than at any time previously. (Too late, too late, was the cry!) And more irony: BSA's whole-hog road racing program proved crushing confirmation of the excellence of the basic product, a product which they couldn't produce in quantity.

The countdown towards financial disaster started with the May 27, 1971 announcement that the company would pass over the interim and ordinary dividends. This statement made it very clear that the year's results had been extremely disappointing. Demanding maximum cooperation from all employees, the directors took a 10% cut in their own paychecks and called up Cooper Brothers to assist in a special review of BSA's untenable position. At this point the shaken BSA board considered the situation so extraordinarily touch-and-go that they indicated take-over bids would be appreciated. Uninspired rumors named possible bidders as the giant Tube Investments (one subsidiary makes Raleigh pedal cycles). TI reacted with stony indifference.

On July 12 a conditional and partial bid arrived from Dr. Daniel McDonald through his Vision Enterprises Ltd., a private company registered in Bermuda. Dr. McDonald valued BSA ordinary shares at $1.22 (55p) for a 50-60% stake amounting to $15 million (£ 6 million). A self-made multi-millionaire, Dr. McDonald founded Birmingham Sound Reproducers in 1947 with unlimited ambition and a couple of old sheds for starters. In 1970 he sold out, collected $40 million (£ 16 million) and "retired" in the manner of most self-made multi-millionaires. Then came the BSA crisis which gave him a back-in-harness opportunity in his adopted home town of Birmingham.

He professed a strong sentimental attachment for the "Brummie" workers who had helped him amass all those millions. Shorn of emotion, the McDonald bid seemed empty, especially in view of the BSA board's recommendation of terms "providing an assurance of substantial new capital was forthcoming." So after investigating BSA business footings on both sides of the Atlantic and getting an idea of the capital sum required to put BSA Ltd. back in order, Dr. McDonald pulled out.

Undaunted, BSA looked elsewhere to "other proposals under consideration which could lead to a bid." In reality, BSA's pressing need was to get a guarantee of fresh capital, to the tune of $37.5 million

15 million). This figure emerged from Cooper Brothers findings, as did the net loss for the year a staggering $20,411,522 (£ 8,164,609). The balance of the $37.5 million was necessary to keep BSA in the business of building motorcycles until the Yanks started bike purchasing five months later. Because the group was undercapitalized and its borrowing powers insufficient, the only adequate method of getting capital was through the banks.

After consultations with their bankers in Britain and America, BSA struck a bargain with Barclays Bank Ltd., which agreed to make available facilities of some $25 million (£10 million). In addition, the Government-funded Exports Credits Guarantee Department promised to provide insurance cover for the United States end of BSA motorcycle operations. Actually, this ECGD arrangement constituted a flagrant breach of the Conservative Government's policy of not bailing out lame-duck companies, but nobody kicked up political shindy. Criticism was muted, partly in consideration of the impressive export record and the importance of underwriting BSA efforts in America, but mainly because unemployment was running uncomfortably high in Birmingham. Therefore, if BSA/Triumph Motorcycle Corporation proved unstable, the shock wave travelling back to Birmingham would cause the complete collapse of Birmingham Small Arms Ltd. Given this situation, the ECGD and Barclays were essential partners in the rescue operation, conceivably the only hope in the circumstances. BSA's salvation was in part due to banks having funds for borrowing; the funds were there because new government fiscal policies had given the green light for lending. Had the BSA crisis pre-dated the liberalization of Bank of England controls, things would have been yet a deeper shade of black.

The bank "take-over" required BSA shareholders to approve the necessary revision of the company's articles. This motion duly carried at an Extraordinary General Meeting on November 1, after shareholders learned that "the urgency of obtaining your consent cannot be over-emphasized." Clearly, the only practical alternative was voluntary liquidation, a course the directors rejected because "the preference and ordinary stockholders would receive little or nothing." In very bad terms, it was bust now or take a chance on the future.

So far, so good. But Barclays drew a line at $25 million (£10 million), and BSA had to raise an additional $12.5 million by disposing of profitable assets. The $9,744,025 (£ 3,897,654) proceeds from previous fund raising activities were not included: these involved selling the Redditch factory, putting BSA shareholding in machine-tool makers Alfred Herbert Ltd on the market (when machine-tool shares were terribly depressed), and finding a Canadian "parent" for Birtley Engineering, a subsidiary company engaged in building a coal preparation plant. Eventually, the balance was raised by releasing BSA holdings in Sealed Motor Construction (water central heating pumps) and disposing of most, if not all, of its Metal Components division.

So much for the financial maneuvers, but what of the future of motorcycle manufacturing? The reorganization had three main effects. One, Small Heath was shut down as a motorcycle assembly plant (though the factory will continue to manufacture engines and spare parts). Two, a cut-back in the number of units produced was planned. Three, 3,000 Small Heath employees were sacked. Poor old Small Heath was condemned as out of date, rambling and inefficient.

But was it a failure of places, or of people? Significantly retiring Chairman Eric Turner (no relation of Speed Twin designer Edward Turner) made the lame admission: "It would be idle to deny errors of management contributed to this situation." Moreover, Cooper Brothers' criticism urgently advised a new management structure.

So to the departures. Marcus Lionel Jofeh left the Managing Director post unlamented, but taking a $87,500 (£35,000) "Golden Handshake." Eric Turner became ex-Chief Executive and (later) ex-Chairman but stayed on the board as consultant (a euphemism that even experts in business affairs can never interpret).

Brian Eustace, formerly with Guest Keen and Nettlefolds (India), became the new Chief Executive. Into the other hot seat as interim Chairman (non-executive) dropped Lord Shawcross, one-time Attorney-General and British prosecutor at Nuremburg. Almost his first duty was to present the annual report. It didn't take the form of a song dripping with honied words. It was a "sad tale," told in outspoken and pointed manner. "I do not for a moment deny that errors in management contributed to it. But I see no advantage in holding an inquest now. Bitter lessons have been learned and changes have taken place and are still being made."

Lord Shawcross hoisted hopeful signals for 1972-73, and assured everybody that both BSA and Triumph marques would continue to be built at Meriden,albeit on reduced scale. The readjustment to the range means shelving the 350s until 1973, at least, and the 250 models are out completely. This leaves a range comprising BSA and Triumph triples, 650 twins of both makes (Lightning, Thunderbolt, Bonneville, Tiger 650), some 750 twins, and the 500cc Triumph Daytona. The 500 single cylinder variants (Victor SS, Trail and MX) continue in production,as does the star-crossed Ariel-3.

BSA lives. Through the bank action, BSA was given breathing space; time to push ahead with production during the 1971-72 winter. Then, having taken short-term remedial measures, the next crucial crunch comes with the 1972 selling season. By then BSA-Triumph must produce sufficient machines (and have them on site) to convince the world they mean business. That will test the medium-term prospects, because only success will merit continued support from the banks.

Fortunately, it seems they have the will. At least, everybody at all levels quickly came to terms with the harsh reality that their backs are against the wall. They are confident, in a desperate sort of fashion, that they'll survive successfully.%†