

CUBA
B/UPROYAL COURTS OF JUSTICE
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PRIME MINISTER

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FLOTATION OF ROYAL ORDNANCE PLC

I am attending tomorrow's meeting in place of the Attorney General, who will be abroad on official duties.

Having considered George Younger's minute to you of 13 June, my view is that which I understand was expressed by the Attorney at the meeting on 12 June, namely that, provided MOD can show that they need, in their opinion, to proceed with the placing with Royal Ordnance of a non-competitive order for the 7th Regiment of Challengers irrespective of the question of flotation, and would do so even if flotation were cancelled, there is no significant risk of a successful legal challenge being mounted against the placing of the order.

If MOD cannot put it as high as that, but wish to place the order with Royal Ordnance in order to fatten it up for privatisation, the risk becomes greater: but my view is that a challenge to the legality of the order would nevertheless be likely to fail. Political presentation would, of course, be quite a different problem.

I ought to add, for completeness, that if Vickers could establish that they had by any means been given a legitimate expectation that they would be allowed to tender for the 7th Regiment, and had acted to their own detriment in reliance on that, MOD's position would be

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much weaker and Vickers would probably succeed. I have seen nothing in the papers to suggest that such facts could be established, however.

I am copying this to Willie Whitelaw, Nigel Lawson, Norman Tebbit, Paul Channon, George Younger and to Sir Robert Armstrong.

Am.

16 June 1986

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