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From: Crispin Hain-Cole, Private Secretary



Minister of State  
for Defence Procurement

D/MIN/DGT/1/8

MINISTRY OF DEFENCE

WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)  
01-218 9000 (Switchboard)

20th June 1986

Prime Minister!

I doubt that this will  
remain private for long. You  
will need a line for Questions.

Dear David,

ROYAL ORDNANCE plc

DHS  
23/6.

/ Lord Trefgarne has asked me to send you a copy of the  
attached letter which he has sent to Sir David Plastow of  
Vickers following the decision, taken at the Prime Minister's  
meeting on 17th June, that flotation of RO plc should not  
be pursued at this stage and alternative options explored.

Yours sincerely,

Crispin Hain-Cole.

D R Norgrove Esq.,  
10 Downing Street





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20 June 1986

Dear Sir David,

Gerald Boxall wrote to Peter Levene on 16th June making specific proposals relating to the procurement of Challenger MBTs for the Army and the possible acquisition of RO Leeds and Nottingham by Vickers plc. When you met George Younger on 18th June he agreed that your ideas should be further pursued.

We have given further thought to the way in which we should like to see your proposals developed and I know that Peter Levene has spoken to you about this. This letter confirms that we are now inviting you to make a formal proposal for the purchase of the RO plc Leeds factory, with all its existing contracts in place, and on the assumption that an additional contract for a 7th Challenger Regiment for manufacture at Leeds will be placed immediately terms for Vickers' acquisition of Leeds have been agreed. Your proposals should assume that prices for the 5th, 6th and 7th Challenger Regiments will be on the terms set out in Mr Boxall's letter of 16th June, ie for the 5th and 6th Regiments no greater and for the 7th Regiment less than those agreed with Royal Ordnance plc.

/ It ...

Sir David Plastow  
Vickers plc

It is essential that we move very quickly in this matter and I must therefore ask for your firm proposal by 4th July at the latest. You will be supplied with all available relevant information forthwith; and we will respond swiftly to any additional queries which you may raise. Given these arrangements, I would hope that you will find it possible to formulate your proposal without visiting the Leeds factory.

So far as the Nottingham factory is concerned, we have noted your interest but do not wish to include it in the current discussions. Its acquisition by Vickers at a later date is not ruled out.

I hope that it will be possible to reach agreement on the terms and conditions for such a sale, which would of course resolve the current difficulty over the release of drawings for the ARRV. In that connection I should therefore like your immediate confirmation that you will extend your present deadline for the provision of ARRV drawings until 18th July. If we should fail to reach agreement on the sale of RO Leeds then you should know that it is our intention to place the 7th Challenger Regiment order with Royal Ordnance before the end of July. Furthermore as we have now acceded to the substance of the proposal in the first half of Mr Boxall's letter of 16th June, we shall not be considering further the request in the penultimate paragraph of that letter.

I have informed the Chairman of RO plc about the approach we have had from Vickers and that we are responding on the basis outlined above. I think it would be better, however, not to publicise more widely the negotiations we have embarked on and I should be grateful if you would keep matters confidential. If directly asked, we shall of course confirm that we are in touch with Vickers in the general context of the

/ Defence ...

Defence Secretary's remarks in the House of Commons on the future of RO plc.

The point of contact within the MOD on this matter is Mr Nicholas Bevan, the Assistant Under Secretary (General Finance); his telephone number is 01 218 7525.

I am copying this letter to Peter Morrison at the DTI and to the Chairman of RO plc.

*Yours sincerely,  
Trefgarne*

Lord Trefgarne