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Prime Ministers (2)
To note

AT 23/7

CONFIDENTIAL AND COMMERCIAL IN CONFIDENCE

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON
SW1H 0ET

MT

20 January 1984

Dear Norman,

LEYLAND TRUCKS

I was grateful to see the copy of the letter of 18 January which your Private Secretary sent to the Chancellor's about Leyland Trucks. This was useful when Allan Stewart and I met Ronald Hancock of Leyland Vehicles on Thursday afternoon, 19 January, for an updated briefing on the company's problems and its intentions in Scotland.

As your officials have reported to you, there has been very considerable media interest, concentrated upon my Department, with much speculation as to what the omission of Bathgate from the present round of redundancies might mean for the plant's future. Like you, I think we must take care to ensure that nothing the company - or any of us - says in public in the meantime should prejudice the collective consideration by Ministers of the 1984 Corporate Plan.

I fully recognise the seriousness of the plight of Leyland Trucks, and the vulnerability of Bathgate, though naturally I should have to be satisfied that we had looked at, and rejected, every other possible option before countenancing closure of this economically important investment in Scottish industry. In particular I would want to see if one or other of the Japanese automotive companies might be interested in a UK truck assembly/manufacture operation at Bathgate as a going concern,

with the possible advantage of an easier entry into untapped EC markets from a British production base. This might be in collaboration with Leyland Trucks - complementing the more limited range they will have if their business is to continue.

I would also be grateful if perhaps you and Sir Geoffrey Howe might jointly explore whether there is any scope for action to stimulate export sales of lorries. I am told by the company - and by Tam Dalyell and Robin Cook, who brought a delegation to see Allan Stewart last Tuesday, and are returning to see me on Tuesday next - that there is plenty of latent demand for Bathgate's trucks in countries such as Nigeria, but that at present the combined effect of non-tariff barriers, trading and currency restrictions and lack of credit make it difficult in practice to achieve sales, which have fallen dramatically. I appreciate that HMG's leverage is limited but it may yet be possible to achieve something significant, for example in negotiating removal of some of the obstacles with the new Nigerian regime, perhaps involving flexible use of the UK aid programme. After all, in the Corporate Plan Scenario, Bathgate would not be due to cease assembly operations till late 1984, nor engine manufacture till late 1985, so there would be a short breathing space even if sentence were to be pronounced by our approval of the Plan. I am always very conscious of the speed with which market conditions can change - as witness the decisive upward movement in the price of aluminium, which might have enabled the Invergordon Smelter to survive.

I am sending copies of this letter to the Prime Minister, Nigel Lawson, Geoffrey Howe, Tom King and John Biffen.

Yours truly,

George

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