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Secretary of State for Trade and Industry

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17 February 1984

CONFIDENTIAL AND COMMERCIAL IN CONFIDENCE

The Rt Hon George Younger TD MP  
Secretary of State for Scotland  
Scottish Office  
Dover House  
Whitehall  
LONDON  
SW1

Prime Minister ②

AT  
17/2

MB

*D George*

LEYLAND TRUCKS

Thank you for your letter of 20 January about the future of the Bathgate plant. I can quite understand the concern you express.

2 We can consider most of the points you raise in more detail when we have officials' report on BL's 1984 Corporate Plan. But I ought to make two points now. First, I do not think there is much doubt that there is still plenty of latent demand for Leyland Trucks in Nigeria and other traditional markets; but the problem is, as you know, that these countries cannot afford to pay for the trucks they want. Unless, therefore, Geoffrey Howe was prepared to cut aid to other countries by a significant amount, your suggestion would amount to a considerable increase in public expenditure to subsidise Leyland, as opposed to other vehicle and other manufacturers in the UK whose exports to developing countries have suffered for the same reasons as LVL's.

3 Second, you mention the possibility that a recovery in LVL's export markets might occur in the next two years and make Bathgate viable again. I have to say that the prospects for a sharp recovery in LVL's most important markets are not good, and that many of the problems appear to be very deep-seated. But even if there were a sharp recovery, it may not help Bathgate much. As you know, it has for over two years been the Board's intention, endorsed by us, to concentrate truck assembly at Leyland in Lancashire, in order to gain economies of scale. You will also know that the Board plans in future to serve export markets using derivatives of domestic models rather than models expressly





designed for export, which Bathgate has until now assembled. The future of Bathgate has always been seen to be dependent on the proposed collaborative Family I engine project, the prospects for which I am afraid are not encouraging.

4 However no decisions have been made and, as I say, all these points will have to be considered in the context of the Corporate Plan. I can assure you all your points will be fully taken into account.

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

A handwritten signature in black ink, appearing to read 'Norman Tebbit', with a stylized flourish above the name.

NORMAN TEBBIT

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Bikini  
Layland  
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