

Prime Minister

MR BUTLER

Peter Warry and I have discussed. We think that the last sentence of the statement protects the government, especially if it is amended on the lines at XT below. Approve the statement subject to (1) and (2) below and the statement being cleared with the Treasury?

AUSTIN ROVER AND HONDA

The timing of the presentation of the Honda deal has clearly been contrived to try and overturn the very necessary financial belt tightening at ARG. Nevertheless collaboration properly pursued could and should help ARG.

FERB
3.4.

The MOU cannot be assessed in isolation from the overall ARG plan - for example we need to know that the proposed new car will replace both the planned AR5 and AR7 cars and cost ARG less.

Yes
ms

A neutral stance must be right - happy to let negotiations take place but deferring any approval of the project until detailed and costed proposals have been presented, showing to our satisfaction that the collaboration achieves a net improvement to ARG, and keeps it within the reduced capital spending that you set on Monday.

P.S. I doubt the

need and the wisdom of

statement now.

The draft press statement needs two amendments:

(i) the reference to each company using its own engines in the new car should be removed. It is a quite unnecessary hostage at this stage and removes one of the major benefits of collaboration.

✓
ms

(ii) the reference to a "new" Corporate Plan implies both new money and more delay. Better just to say: "in the case of BL, however, the pursuit of these things must form part of the BL Corporate Plan requiring the approval of HMG who have asked for further study of the financial and commercial details".

✓
ms

Peter Warry

Peter Warry

3 April 1985