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Pine Muntz

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PRIME MINISTER

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On 13 December last I reported on developments in relation to the Lear Fan company, and sought and obtained the agreement of colleagues to concluding a new agreement with the Zoysia Corporation under which that Corporation would make available \$62m of new money for the project. Central to my approach was the fact that no new Government money was involved over and above the funds required under the legally binding 1982 Agreement.

2. I recorded then that I was deeply sceptical about the long term future of the project and that my officials had expressed serious reservations about viability to the Saudi Princes associated with the Zoysia Corporation. We have at all times been at pains to ensure that the Saudis have fully understood our views so as to avoid recriminations after the event should things go wrong.

3. My officials have been monitoring the project closely since December. Difficulties have arisen with the aircraft's propulsion system and it is now clear that substantial delays are inevitable compared with the business plan put forward in December.

4. As a result one of HMG's nominee directors has formally registered his concern about future viability. Morgan Stanley have now been retained by the company to conduct an independent study of viability. A meeting of the company's Board has been arranged for 24 April and at least a preliminary report from Morgan Stanley will be available at that time. Our nominee directors will be pressing for the fullest possible information to be provided.

5. Without wishing to pre-judge the outcome of the report or the Board meeting, my officials in the Industrial Development Board for Northern Ireland will be taking steps to ensure that,

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should it be concluded that the project is no longer viable, we are in a position to respond quickly and effectively to the need to put in a receiver/liquidator.

6. In the period between now and the taking of decisions on the future of the company we will be doing all we can to ensure that funding is kept to a minimum. In fairness to the company, those directly concerned have been minimising expenditure for some time.

7. I am copying this minute to other Members of the Cabinet and to Sir Robert Armstrong.

NJ Ward
Private Secretary

for D H

12 April 1985

(Approved by the Secretary of State
and signed in his absence from London)

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IRELAND: Lear Fan Project: Feb 80



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