

File J.A.I. A x 2
10



10 DOWNING STREET

From the Private Secretary

1 July 1986

LEYLAND TRUCKS

The Prime Minister held a meeting this afternoon to discuss Leyland Trucks on the basis of your Secretary of State's note of 20 June and the note attached to your letter to me of 30 June. Present were the Lord President, Chancellor of the Exchequer, Chancellor of the Duchy of Lancaster, Secretary of State for the Environment, Minister of State for Industry and the Chief Whip.

The meeting discussed the relative merits of the GM/DAF and Paccar approaches. It was suggested that the GM/DAF approach could be preferable, both because it would allow a restructuring of the industry generally (including Bedford) and because it would bring in a European element; a deal with Paccar might be seen as a sell out to American interests. On the other hand, there was some risk that the GM/DAF deal could lead to the Government being associated with the redundancies which would be needed in the industry in any event and any continuing Government involvement would be a disadvantage. It was recognised that under either approach the debt of Leyland Trucks would need to be written off.

It was agreed after further discussion that both approaches should be pursued. However, it would be essential that in any joint venture with GM and DAF the Government should not have a majority holding and should not have management control. Ideally, DAF should hold 51% of the equity, and another possibility would be for the Government's share to be in the form of convertible loan stock. In any event the key condition was that the Government should be seen clearly to be a minority partner. It was noted that the present discussions did not include Freight Rover, but the inclusion of Freight Rover at a later stage could not be ruled out. It was further agreed that in any answers to Questions in the House your Secretary of State should maintain his present position, that Mr. Graham Day was exploring the possibilities for collaboration and other arrangements for commercial vehicles.

SECRET

2

Your Secretary of State reported that three approaches for the purchase of Leyland Bus were in prospect. It was agreed that Mr. Channon should prepare a paper after discussion with the Treasury for consideration by the smaller group in the first instance.

I am copying this letter only to Tony Kuczys (HM Treasury).

DAVID NORGROVE

John Mogg, Esq.,
Department of Trade and Industry.

SECRET