

PRIME MINISTER

THE ROVER GROUP

(a) Leyland Bus

The main question is whether the Management Buy-Out (MBO) with its dubious backing can be accepted. The fact is that an MBO would not just be presented as municipalisation. It would be municipalisation. Paul Channon is consulting John Moore about this urgently and will be able to report his views.

It would not be easy to reject a recommendation from the Board in favour of the MBO. But this is an unusual case: the Board would be recommending that ownership of Leyland Bus should be transferred from one part of the public sector to another, and the Opposition might claim that they had successfully defeated a privatisation.

(b) Unipart

Should the Charterhouse Japhet proposals be accepted?

(c) Austin Rover

- (i) Should Mr. Channon tell Graham Day to continue the exploratory talks with Honda?
- (ii) Is he right to limit Honda to "a modest minority stake"?

(d) Leyland Trucks

There seems no need to do more than take note. When does Mr. Channon expect decisions to be needed?

Finally, is a meeting of MISC 126 needed or can the announcements on Leyland Bus and Unipart be cleared by correspondence?

Julie Bowers  
Duty Clerk

AP. David Norgrove

16 July 1986



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Ref No. 1693

No. 3 of 11 copies

17 July 1986

cc Robin Yang - personal  
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✓ and pa. JRN

The Rt Hon Paul Channon MP  
Secretary of State for Trade and Industry  
Department of Trade and Industry  
1-19 Victoria Street  
LONDON SW1

*Dear Paul,*

**LEYLAND BUS**

Our offices have been in touch on the proposal for a Management Buy-out of Leyland Bus. I am writing to confirm my views.

I am naturally uncomfortable about the proposal that nearly 40% of the total funding of the MBO should be put up by a body (Charterplan Holidays Ltd) whose equity is 50% owned by Greater Manchester PTE. The PTE's direct liabilities in respect of Charterplan are limited ; nevertheless its interest in the company is worth nearly £5m and this asset ought to be used for the benefit of Manchester's ratepayers. I must be concerned that Charterplan (whose Board of Directors is wholly controlled by PTE employees) should be taking so great an interest in a business which has little bearing on the PTE's responsibilities, especially now that the changed role of the PTE under the Transport Act means that from October they will no longer themselves be a bus operator.

I have however no powers to intervene in Charterplan's decision, and it appears that the PTE are probably acting within their own powers in retaining their interest in Charterplan. Since I have not seen the papers, I am not aware of the strength of the case in favour of the MBO, but I imagine you will not wish to block it unless this appears essential. That being so, I would not wish my objections to stand in your way. Nevertheless, I hope we can make every effort to ensure that the Charterplan interest in Leyland is temporary, as I understand to be the intention. For my part, I will be using what influence I have to encourage Charterplan to divest itself of the Leyland interest as soon as practicable.

I am copying this letter to the Prime Minister, the Chancellor, and to Sir Robert Armstrong.

JOHN MOORE

17/7

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