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MR NOR GROVE

Prime Minister!  
Agree to ask the American  
to consider Peter's  
suggestion.

20 October 1986

20/10,  
LEYLAND BUS

*Yusuf*

Leyland have revised the amount of (profitable) parts revenue attributable to its bus operations and as a result the management buy-out (MBO) offer has also been significantly reduced. Unless the MBO can improve its offer, which may be difficult, it would actually be cheaper to close Leyland Bus than to sell it.

The other two original bidders were Aveling Barford and the Laird Group. With the new information on parts revenue both their bids would reduce, but the Aveling Barford bid (like the MBO bid) depended on the parts revenue to finance the deal and is therefore likely to be worse affected, and certainly no better than the MBO. The Laird bid was differently structured and might not be so reduced, sale to Laird would make industrial sense and might now be on better terms than the MBO can offer.

If negotiations between Leyland and the MBO reach an impasse, this could well leak and put immediate pressure on the Government. It might therefore be prudent to approach Laird beforehand to ascertain whether they are still interested, so making it easier to formulate a quick Government response.

*Peter Warry*

PETER WARRY

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C Bg

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 October 1986

Dear Catherine,

LEYLAND BUS

The Prime Minister has seen your letter to me of 20 October about the sale of Leyland Bus to the MBO.

The Prime Minister fears that if negotiations between Leyland and the MBO reach an impasse, this could well leak and the Government would then be under great pressure to make a quick statement. The Prime Minister wonders therefore whether it would be prudent to approach the original bidders beforehand to discover whether they are still interested. The Prime Minister recognises that this further approach to the original bidders could itself leak and cause complications and your Secretary of State will wish to consider the balance of risks.

I am copying this to Alex Allan (HM Treasury) and Richard Allan (Department of Transport).

*David*,

*David*

(DAVID NORNGROVE)

Miss Catherine Bradley,  
Department of Trade and Industry.

*rk*

CCBS



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PS/ Secretary of State for Trade and Industry

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COMMERCIAL IN CONFIDENCE

20 October 1986

David Norgrove Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Dear David

LEYLAND BUS

On 22 September, I wrote to you about difficulties which had arisen over the sale of Leyland Bus to the MBO. My Secretary of State has asked that the Prime Minister should be made aware of the latest developments.

While final figures will not be available for some time yet, it is already clear that the MBO's revised offer is likely to be much less attractive to the Rover Group than the earlier proposal. Constructive negotiations between RG and the MBO are continuing in an effort to bring the two sides closer together but it is not likely to become clear until 23 October at the earliest whether they have a real chance of success.

My Secretary of State believes that, if the MBO does not improve its offer sufficiently, there is a risk that the RG Board may wish to reconsider other bids or outright closure. He has made it clear to RG that he would wish to be consulted before any decision were taken to end negotiations with the MBO or to open up the other options. The Prime Minister will be kept closely informed of developments.

I am copying this to Alex Allan (Treasury) and Richard Allan (Transport).

Yours,  
Ruth Wall

JF5BLO

CATHERINE BRADLEY  
Private Secretary

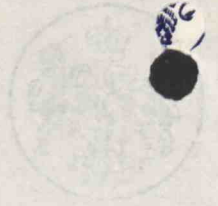
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*From the Private Secretary*

31 October 1986

**LEYLAND BUS**

The Prime Minister has seen your letter to me of 27 October and agrees, in the light of your Secretary of State's comments, that it would be premature to make an approach to alternative bidders for Leyland Bus now.

I am copying this to Tony Kuczys (HM Treasury) and Jon Cunliffe (Department of Transport).

(DAVID NORGROVE)

Miss Catherine Bradley,  
Department of Trade and Industry.

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Secretary of State for Trade and Industry

PS/

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27 October 1986

D Norgrove Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Pamie Minister!

Yes no

Agree that other bidders

should not be approached at  
this stage? JWS 29/10

Dear David,

LEYLAND BUS

My Secretary of State has seen your letter to me of 21 October about the sale of Leyland Bus to the MBO and the possibility of an approach to the original bidders to discover whether they might still be interested if the deal with the MBO falls.

My Secretary of State agrees that the arguments are finely balanced between the risk of leaks about an impasse being reached in negotiations between Rover Group and the MBO and leaks about an approach to the other original bidders. He inclines to the view that it is perhaps premature to make an approach to the bidders now, while constructive negotiations are still proceeding between the MBO and RG. A leak of an approach to bidders could, in present circumstances, be presented as a move to undermine the deal.

Subject to the Prime Minister's view, my Secretary of State would wish to keep a close watch on the progress of negotiations and if there are signs that they may reach an impasse, discreet approaches to the original bidders could be made at that stage.

Negotiations are still continuing and the principals are likely to meet again on 4 November. Discussions between their advisors will continue in the meantime. We will of course keep you closely in touch with developments.

I am copying this to Tony Kuczys (Treasury) and Jon Cunliffe (Transport).

Yours sincerely

C Bradley

CATHERINE BRADLEY  
Private Secretary

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