

PRIME MINISTERROVER GROUP

You will wish to seek agreement on the following points.

On Leyland Truck and Bus

- (i) to note that discussions on Leyland Bus are continuing;
- (ii) agree that the approaches from DAF and FODEN should both be pursued, with a preference for DAF;
- (iii) agree that officials should urgently discuss the debt write-offs with the Commission; *Smith*
- (iv) agree that a statement should be made on Bus and Trucks (but not Honda) as early as possible in December;
- (v) agree the aim of a fuller statement in February.

On Honda:

Agree that a minority stake in ARG of up to 20% is acceptable in principle.

You will also want to agree the handling of Misc 126 and Cabinet.

There is no need at this stage to decide how the £650 million injection will be handled, or the £550 million of capital which may be needed by ARG (and the Chancellor would not want it to be).

The paper will be handed round at the meeting. But colleagues already know of the possibility of deals with FODEN, DAF and Honda from the discussions in July. The main new elements to them will be the DAF interest in Freight Rover and the figure

for a possible Honda shareholding in ARG (which arises because above 19% Honda would have to consolidate ARG).

I guess that the substantive conclusions should cause no difficulty. It may be worth spending more time on the handling of Misc 126, Cabinet and the December statement.

It would be unwise to go to Misc 126 until Graham Day advises that DAF and FODEN have been warned about the need for an early statement. Has this been done? (DTI believe John Smith may have inside information and be waiting until he can cause maximum embarrassment before he puts down a PNQ.)

Then there is the question of what should be told to Misc 126. The position on Bus and Trucks clearly has to be described. Should Honda also be mentioned to Misc 126 in some way? There is a risk that the discussions with Honda will leak and it would be disingenuous not to have mentioned them at all. I suggest a paragraph in the paper by BTI which would

- point to the deteriorating results
- say that we await the corporate plan; but
- indicate Graham Day's strategy in the broader terms;
- say that he is discussing with Honda further possibilities for closer collaboration on model development and production, including Honda investment in facilities at Austin Rover.

On ARG

The statement to the House would refer only to the corporate plan and then state the Government's support for Austin Rover as Graham Day wishes.

*Amanda Ross*  
DUTY CLERK

PP DAVID NORGROVE

26 November 1986

CAJAJY

David  
✓  
Mortimer at  
7.00.  
OK.



Caroline  
Congratulations!  
David

10 DOWNING STREET

~~Caroline~~

Could you arrange a  
meeting please 1 1/2 hours  
with

LPC - ✓

Cn/Ex - ✓

Ridley - ✓

~~Channon~~

Tebbit + ✓

Chief Whip + ✓

Giles Shaw = NST/STI ✓

(Channon is in Japan)

It needs to be on 26 November  
Wednesday afternoon/.

Does the 16 30 meeting  
really need to be 2 hours?

~~Does~~ Can the P7 wt go to

~~the~~ Small Business  
Bureau?

It's important, this  
meeting - sorry!

The meeting is about  
Rover Group and the  
paper will be handed  
round at it. But don't  
tell the diary secretaries.

Only the PPS in each  
department is to know  
and they can ask you (or me)  
if I'm here.

David.