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PS / Secretary of State for Trade and Industry

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

11 December 1986

*N BPN.*

*Dear David*

ROVER GROUP

A formal notification was made to the EC Commission on 8th December about our wish to inject capital into Rover Group to cover historic debt and anticipated restructuring costs in Leyland Bus and Leyland Trucks. We were informed today that this will be considered at a specially arranged meeting of Commissioners on 17th December but a copy of the notification will circulate among relevant EC officials on 12th December.

We understand there is some risk that knowledge of the notification may therefore leak within the next few days and, although the notification does not reveal any sensitive details of possible closures/redundancies or the total amount of write-off envisaged, (though there is enough for informed observers to have a good guess at the latter) my Secretary of State believes that, in order that the Government retains the initiative, it would be sensible to try to pre-empt any leak by acknowledging the fact of the notification in answer to an arranged Parliamentary Question on Monday 15th December.

I enclose the draft of the Question and Answer and would be grateful if you could advise whether the Prime Minister is content with this.

I am copying this letter with enclosures to Alex Allan (Treasury).

*Yours sincerely  
Timothy Walker*

T E H WALKER

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BOARD OF TRADE  
BICENTENARY

CONFIDENTIAL

Q. HAS THE SECRETARY OF STATE FOR TRADE AND INDUSTRY DISCUSSED WITH THE EC COMMISSION THE GOVERNMENT'S PLANS FOR LEYLAND BUS AND LEYLAND TRUCKS?

DRAFT ANSWER

As I told the House on 2 December, negotiations are proceeding for the sale of Leyland Bus and various options are under consideration regarding the future of Leyland Trucks. In this connection I have now notified the Commission under Article 93(2) of the Treaty of Rome that, when decisions are taken, the Government propose to deal with the historic debt in these companies and with any necessary restructuring costs.

The Government will take forward this notification with the Commission in the light of progress on the commercial negotiations. I will keep the House informed.



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Secretary of State for Trade and Industry  
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CF?  
NBM

12 December 1986

*Dear Timothy***ROVER GROUP: ARRANGED PQ AND ANSWER**

As I told Catherine Bradley on the phone, the Chancellor was content for Mr Channon to arrange the tabling of the PQ set out in your letter to David Norgrove of 11 December. He is also content with the draft answer.

I am copying this letter to David Norgrove.

*Yours  
Alex*

**A C S ALLAN**  
Principal Private Secretary

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## Rover Group

3.32 pm

**The Secretary of State for Trade and Industry and President of the Board of Trade (Mr. Paul Channon):** With permission, Mr. Speaker, I should like to make a statement on developments within certain Rover Group businesses.

On 24 July I informed the House that agreement in principle had been reached on the sale of Leyland Bus and of a majority holding in Unipart and I can report in both cases that detailed negotiations are proceeding satisfactorily. In reply to questions on 5 November, I also announced the disposal of majority interests in Jaguar-Rover-Australia and in Istel. The situation on Land Rover remains as I stated last April, that Land Rover will be retained in Rover Group for a possible flotation or trade sale at a later date.

The chairman of Rover Group has also been reviewing the options for Leyland trucks. This review has been taking place against the backdrop of continuing depressed demand, particularly in overseas markets, and severe over-capacity in Europe. Our objective is to achieve a secure future for the production of Leyland trucks, but it must be recognised that any option for the company — whether related to collaboration, merger, sale or, indeed, continuation under present ownership — will involve restructuring.

Talks are progressing with two companies. The first is DAF. Hon. Members will be aware that in October a limited but important collaboration on the marketing of Roadrunner trucks and Sherpa vans was announced. DAF and Rover Group are now in talks about the benefits that could arise from much more fundamental collaboration in the truck and van businesses. The second is Paccar, the parent company of Foden, which is considering the basis on which it might wish to make a bid for Leyland trucks.

Both sets of talks are at an early stage and, for the reasons I have already outlined, Mr. Day has my full support in pursuing them. I thought it right to inform the House at this early stage and, obviously, I shall keep the House in touch with developments. I am sure hon. Members will understand and accept that it would be prejudicial to the interests of those employed in these operations and in their suppliers for me to make any further detailed comment on the discussions at this stage.

Mr. Day's review of the plans for all Rover Group operating companies, including Austin Rover will form the basis of the 1987 corporate plan which is now under preparation. After I have received it and given it careful consideration, I shall announce the Government's response. In respect of Austin Rover, I should, however, like to take this opportunity to emphasise that I expect Mr. Day's plan to set out a positive course for the continuation of the company as a major producer and leading exporter of cars made in Britain. I stress that the Government's aim is to secure the best possible future for Austin Rover, its suppliers and the motor industry generally in this country.

**Mr. John Smith (Monklands, East):** In essence, the Secretary of State has announced two sets of talks. My first question is: are they alternatives? The first proposition, namely with DAF, appears from the statement to be an extension of existing collaboration which appears to be proceeding satisfactorily and which offers market opportunities for the Rover group. Clearly,

that is desirable, if it is a true collaboration between equal, independent companies. The second is a takeover attempt by another foreign-owned company for Leyland trucks. Given that General Motors appears to be persisting in its decision to end truck making in the United Kingdom, if this goes ahead it would mean that the only volume producing truck maker left in Britain would cease to be British-owned. Why is the Secretary of State encouraging those talks, which will inevitably lead to extensive rationalisation, job losses and the loss of British ownership and control of a crucial part of our engineering economy?

Since we now have some advance notice of discussions like this, unlike the activities of one of the predecessors of the Secretary of State, now the Chancellor of the Duchy of Lancaster, who sought to sell British Leyland and Austin Rover without informing anyone, will the Secretary of State take the opportunity of having full consultations with the relevant trade unions, to which this statement will be news? [Laughter.] I do not know why the Chancellor of the Duchy of Lancaster should laugh about the notion of consulting the trade unions. It is all too indicative of his attitude to British industry and the people who work in it. Would it not make sense for the Secretary of State to seek at this stage to give the fullest possible information and to allow the fullest possible consultation with the trade unions?

Finally, while I note the Government's apparent conversion to maintaining Austin Rover as a major car producer, will the Secretary of State appeal to the Prime Minister to stop knocking Austin Rover as she did in a recent interview in the *Financial Times*? When will the Government see Austin Rover as a great opportunity for Britain, not as a problem, as the Prime Minister unfortunately described it?

**Mr. Channon:** I entirely repudiate what the right hon. and learned Gentleman said about the interview of my right hon. Friend the Prime Minister in the *Financial Times*. He will know that the *Financial Times* issued a correction. Indeed, as £2.2 billion of public money has been put into Rover group, it ill becomes him to criticise the Government for not supporting the company.

Obviously, there will be consultation with the trade unions in the normal way through the normal machinery on the future plans of the company. I note what the right hon. and learned Gentleman says about the question of Paccar as opposed to DAF. It is far too soon at this stage to say how the talks will progress or what the final outcome will be, but I note what he says.

Regarding the truck industry in Britain, I must again remind the House that there is 40 per cent. over-capacity in the truck industry in Europe. It is not possible to imagine that this position can continue without change and any hon. Member who advances that seriously is doing no service to those who work in the industry.

**Mr. Michael Grylls (Surrey, North-West):** Does my right hon. Friend agree that, as the taxpayer owns 98 per cent. of Rover Group, it is in our interests to recognise that the truck division of that group produces some very good products? We should welcome any new collaboration that will strengthen that group, recognise the over-capacity and even, if necessary, visualise a change of ownership. That could well be in the best interests of all the people who work in that part of Rover Group.



**The Prime Minister:** I think my hon. Friend can rest assured that I would do neither.

Q7. **Mr. Norman Atkinson** asked the Prime Minister if she will list her official engagements for Tuesday 2 December.

**The Prime Minister:** I refer the hon. Gentleman to the reply that I gave some moments ago.

**Mr. Atkinson:** Does the Prime Minister recall that she has often expressed pride in the fact that she was once governor of Imperial college, and that she is a science graduate in chemistry and an associate and friend of Sir George Porter? Has she seen the remarks that Sir George made yesterday, confirming that the continuing brain drain from Britain in science and engineering is the result of the Government's abandonment of science and engineering? What has she now got to say about the deplorable state of our laboratories, the deplorable state

of engineering in the absence of some of our key engineers and the deplorable future that faces this country without those scientists and engineers?

**The Prime Minister:** I read the comments of Sir George Porter. I must state that total net Government expenditure on research and development is at record levels and that the United Kingdom Government-funded civilian research and development, as a proportion of national output, exceeds the level in Japan and the United States and that is also true for all United Kingdom expenditure on research and development compared with Germany.

With regard to the hon. Gentleman's point about a possible brain drain, I refer him to the fact that tax on top people, including top scientists, is very much lower in the United States than it is here, and it is going down in the United States. The position to which he referred would be infinitely worse had we not reduced the top levels of tax down to 60 per cent.



[Mr. Channon]

will have to consider whether it is a good idea. I am not trying to mislead the House. That is certainly an option in front of us.

I was asked a question about Unipart a moment ago. I remind the House that we are selling a majority shareholding in Unipart, but a minority position will be retained.

**Mr. Tom Sackville** (Bolton, West): Does my right hon. Friend agree that the activities of the right hon. and learned Member for Monklands, East (Mr. Smith) and his friends earlier this year effectively sabotaged the United Kingdom truck industry? Is my right hon. Friend aware that Conservative Members have the highest confidence in him during these and future negotiations to ensure long-term jobs in the industry?

**Mr. Channon:** I am extremely grateful to my hon. Friend. The attitude of members of the Labour party during all these negotiations has been one of making mischief, stirring up trouble, trying to cause maximum alarm and despondency and trying to create the very situation about which they complain.

**Mr. Norman Atkinson** (Tottenham): When the Secretary of State talks about collaboration or merger, does he not use code language for takeover? That is what the Secretary of State is talking about. Is he aware that Leyland truck products are engineered to a far higher standard than those of either DAF or Paccar? Why do DAF and Paccar take the dominant initiatives in this matter and talk about the takeover of Leyland rather than Leyland being in business to talk about the takeover of the other two?

**Mr. Channon:** The hon. Gentleman must understand that Leyland trucks is unfortunately a major loss-making business, not a profit making business. The House should be seriously concerned about that. I do not know why the hon. Gentleman said that I did not mention takeover. I used the words in connection with Paccar, which "might wish to make a bid for Leyland Trucks."

I used those very words. There may be collaboration, merger or takeover. I do not disguise those facts. We shall have to judge whether that is a good thing. The aim is to try to provide the best secure future that I can for the production of Leyland trucks.

**Mr. Phillip Oppenheim** (Amber Valley): I am sure that all Government Members will support any sensible and necessary collaboration. Is it not true that the jobs of many, if not most, Bedford workers have now been lost or will be lost beyond recall? Is it not true that this is almost entirely the direct result of the ill-informed, petty and jingoistic opposition earlier this year to the Bedford merger, emanating from the Opposition spokesman, who is not above trying to squeeze out any little piece of party political advantage, despite the effects on workers in this country?

**Mr. Channon:** My hon. Friend has spoken with his usual eloquence and good sense.

**Mr. Nicholas Budgen** (Wolverhampton, South-West): Will my right hon. Friend encourage management to take all sensible steps to reduce the substantial losses in the

truck industry? Will he please avoid public negotiation of the details of these arrangements? The public can never know the true negotiating position of the parties.

**Mr. Channon:** I entirely agree with my hon. Friend. It would be intolerable to be made to negotiate in public on these details, and I have not the slightest intention of doing so. Fortunately, I am in a position to say that, because I shall not conduct the negotiations. They will be between Rover Group and the parties concerned. They will make some recommendations to the Government, and the Government will then have to decide. I agree entirely with my hon. Friend's first point: everything should be done to try to reduce, and get rid of completely if possible, losses in the truck industry in this country.

**Mr. Eric Forth** (Mid-Worcestershire): My right hon. Friend mentioned Istel, a company in my constituency. He will be aware that it is a high technology company, relying on the skills of its existing work force. When considering any proposals for the future of Istel, will the Secretary of State bear that fact in mind? Will he also bear in mind the undesirability of foreign ownership of a company in such a leading edge of technology, with so many skilled people, who must be kept in the company in my constituency?

**Mr. Channon:** I note what my hon. Friend has said. He will know that Rover Group is taking forward the disposal of a majority interest in Istel. I await its assessment of the various possibilities, but I have not yet received them.

**Mr. Tony Favell** (Stockport): Does my right hon. Friend recall that his Department's first thought as to what to do with Westland turned out to be right? Were not his Department's first thoughts as to what to do with Austin Rover also right? Is it not a fact that Austin Rover is still in the most appalling mess? It has an abysmal share of the home market. They have virtually no overseas dealer network. Will my right hon. Friend pick up the telephone and talk to the chairman of Ford UK to see whether he is still interested in bidding?

**Mr. Channon:** I am grateful to my hon. Friend for his kind remarks about my Department. We certainly would not agree with what he said in the second part of his question. We shall be aiming to secure the continuation of Austin Rover as a major producer and leading exporter of cars made in Britain. I am sure that my hon. Friend desires that as much as anyone does.

**Mr. Kenneth Hind** (Lancashire, West): Does my right hon. Friend agree that whatever party is in power, trucks tend to wear out after the same length of time? Thousands of my constituents who work at British Leyland trucks at Leyland will welcome the collaboration and the extension of wider European markets that my right hon. Friend proposes. Will he reassure those workers that one of the most important things in the Government's mind is to improve their jobs and ensure there will be work for them in that part of Lancashire in the foreseeable future?

**Mr. Channon:** When we consider these suggestions that the situation should remain unchanged, of course unemployment will be a factor in everybody's mind. I know that my hon. Friend will realise that in a situation of serious over-capacity in the truck industry, neither he nor I would like to mislead anyone employed in that industry into believing that it is not a very difficult situation. In this difficult situation, we are trying to



to him. I am making no statement about collaboration in cars, but dealing merely with collaboration in the truck industry. I do not wish to mislead the House. The answer may well be a merger, and the House must understand that I am saying that there may be mergers or takeovers in the truck industry. We should not rule out that option. I have nothing to say about Rover Group, Honda or anything like that this afternoon. My statement relates to the truck industry.

**Several Hon. Members** *rose*—

**Mr. Speaker:** Order. I have to bear in mind the subsequent business on the Order Paper. It is an Opposition day. I ask hon. Members to put their questions succinctly. I shall allow them to go on for a further five minutes.

**Mr. Andrew Faulds** (Warley, East): May I congratulate the right hon. Gentleman on his greater awareness of a need to consult the work forces than that shown by his predecessor? May I ask him to disregard the chuckles of his right hon. and ghastly colleague the Chancellor of the Duchy of Lancaster and ensure that those consultations are genuine and meaningful?

**Mr. Channon:** The hon. Gentleman spoils his case by his epithets. As I have made clear to the House, the employees who may be affected will have the opportunity to express their views on future plans for the company through the normal machinery at the appropriate time.

**Mr. Anthony Beaumont-Dark** (Birmingham, Selly Oak): Does my right hon. Friend accept that many of us are grateful that he has come to the House at an early stage in the many negotiations that are going on? Does he also accept that we are pleased that he confirms his faith in the Austin Rover car group and the Rover Sterling Car, which is doing such good trade? Does he agree that, while Ford Motors is expanding its spares business, it would be unwise for us entirely to sell off Unipart, which is so important to Austin Rover's future? Will he try to ensure that at least 25 per cent. of Unipart stays in Austin Rover hands so that it cannot be blackmailed by other people?

**Mr. Channon:** I note what my hon. Friend says. I share his view about the merits of the products of Austin Rover. I am looking forward to hearing Mr. Day's plans to set out a positive course for the continuation of the company, which, as I have said to the House, is a major producer and leading exporter of cars made in Britain. As to the sale of Unipart, my hon. Friend will recall that I announced that some months ago. I think that the points about which my hon. Friend is concerned in relation to the Leyland group are fully covered. However, I shall bear in mind what he said.

**Mr. Jack Straw** (Blackburn): Whenever the Secretary of State comes to the House to make a statement on Leyland, why does he seek to cast the company's prospects in the worst possible light? Does he accept that the 40 per cent. overcapacity in Europe arises principally from the non-tariff barriers which the French and Germans place in the way of exports from this country, and that Leyland trucks division in this country has been top of the sales league? Why did he not mention that? When he speaks of the fact that changes will involve restructuring, will he say how many jobs in Lancashire are likely to be lost by such restructuring?

**Mr. Channon:** With respect, that is an unfair way of putting it. In fact, it is practically counter-productive. I am not trying to set this in its worst light. I am trying to find the course that is most likely to provide a secure future for the production of Leyland trucks in the circumstances of over-capacity in Europe of 40 per cent. I am trying to be realistic and not mislead the House. I am trying to make the House, if I may, face up to what is a very difficult position and to tell the truth.

As to job losses, I have already explained that, whatever happens, there is bound to be some element of restructuring. I cannot tell the House today what job losses will take place, because negotiations are still going on. I make no comment about that. I have already said that there is 40 per cent. over-capacity and there is bound to be restructuring. It is impossible for anyone to stand at the Dispatch Box and pretend that there is no danger of job losses. Opposition Members would not do that if they were in my position.

**Mr. Simon Coombs** (Swindon): Is my right hon. Friend aware of the fact that the right hon. and learned Member for Monklands, East (Mr. Smith) recently visited the Austin Rover body pressing plant at Swindon, without mentioning the fact to either of the two hon. Members who represent that area, and that, while he was there, he joined the local trade union representatives in spreading scare stories which have scared to death my constituents and the constituents of my hon. Friend the Member for Devizes (Mr. Morrison)? Will my right hon. Friend make it clear to the House that the Government have no plans to sell Austin Rover to Honda and no plans for major job losses and closures of plants?

**Mr. Channon:** I am sure that my hon. Friend's constituents are sufficiently robust to stand up to the blandishments of the right hon. and learned Member for Monklands, East (Mr. Smith) and that they will show their continued good sense by supporting my hon. Friend. As I said at the end of my statement, I expect Mr. Day's plan to set out a positive course for the continuation of the Austin Rover companies, a major producer and leading exporter of British cars. I do not think that I can go any further than that. Frankly anyone who says that we are doing something different is talking nonsense.

**Mr. Robin Corbett** (Birmingham, Erdington): The Secretary of State stood at the Dispatch Box and said that he could see no difference between collaboration and merger.

**Mr. Channon** *indicated dissent.*

**Mr. Corbett:** Does he understand that there is all the difference in the world between collaboration and capitulation? Can he name another industrialised country whose Government would contemplate flogging off what is left of Britain's industrial base to foreign ownership?

**Mr. Channon:** The hon. Gentleman is exaggerating the position. At an early stage, I came to the House of Commons to tell the House about talks that are going on with a number of companies about possible collaboration or merger. The hon. Gentleman's language is greatly exaggerated. I have never tried to disguise the fact that there is a considerable difference between collaboration and merger—of course there is—nor have I sought to disguise that, in the end, there may be a merger, and we



[Mr. Channon]

Government, is preposterous nonsense. As to the hon. Gentleman's suggestion that all the troubles in the Third world have been caused by insufficient lending from the City of London to Third world countries, it is not quite like that. There is over-capacity in the European truck industry, and that is a very serious matter. We have to restructure and to do what we can to provide a secure future for the production of Leyland trucks.

**Mrs. Ann Winterton** (Congleton): In the continuing discussions between Leyland trucks, Paccar Foden, which is situated in my constituency, and DAF, will my right hon. Friend ensure that full consideration is given to the retention of the maximum number of jobs in this country, not only in the company itself but, just as important, in the components industry?

**Mr. Channon:** Yes. I entirely understand my hon. Friend's concern, and in particular her constituency interest. When recommendations are made to me, I shall want to consider very carefully the effects on employment. I shall also want to examine the effects on employment of no change in the present position. My hon. Friend is quite right to make that point, and I shall consider it very carefully.

**Mr. Dave Nellist** (Coventry, South-East): The Secretary of State said that it would be prejudicial to suppliers and to employees to make any further comment at this stage. Is not the real prejudice to those employees and suppliers who run the risk of losing their jobs through privatisation? That has happened in virtually all Leyland privatisation cases, such as Coventry Climax. Is it not incumbent upon the Secretary of State to give those who work for the Leyland subsidiaries every scrap of information that he can about the negotiations or the machinations that are taking place behind their backs?

**Mr. Channon:** The hon. Gentleman and I have debated privatisation on a number of occasions, and I rather doubt whether we shall reach an agreement. He has quoted Coventry Climax to me, and I quote Jaguar to him. That is a record that the House knows very well. As to the work force, I have already said that the work force will be consulted through the normal machinery. I accept that this will have a major effect on people who are very interested in the future of their company. That is understandable. However, I am in a dilemma. Do I tell the House at an early stage what is going on, or do I try to keep the information from the House? It seemed to me right that I should tell the House at the earliest opportunity, even if that means that I cannot give the details that I know that the House would like to have.

**Mr. Richard Page** (Hertfordshire, South-West): In view of the over-capacity in the truck market, and recalling earlier this year the merger or combination between Ford Trucks and Iveco, I welcome the news that talks are taking place. As last time, the panic reaction of Opposition parties helped to collapse the talks, I urge my right hon. Friend this time to see the talks through to a conclusion, because the longer he leaves it, the more difficult and painful will be the solution. Cannot a great deal of the delay be laid firmly at the door of the Opposition?

**Mr. Channon:** I entirely agree with my hon. Friend. He will appreciate that at this stage the talks are between

Rover Group and the companies concerned, and are not talks in which the Government are involved. Rover Group will come to us with a recommendation, which may be that it does not like the proposal, but we cannot prejudge that at this stage. I shall then have to recommend its proposal to the House, or not. I shall have to take that decision. I agree that there is no point in ducking these decisions. They become not easier, but more difficult.

**Mr. Doug Hoyle** (Warrington, North): Will the Secretary of State take into account the fact that there is a difference between collaboration and takeover? The right hon. Gentleman keeps repeating that there is a 40 per cent. over-capacity in trucks, but what about vans? Is this not a different situation, with Sherpa expanding and employing more people, and being highly profitable? Will the result of these talks with DAF and Paccar be that the admirable workers in Leyland and elsewhere will be thrown out of their jobs?

**Mr. Channon:** Yes, I agree that there is a difference between collaboration and takeover. I am not ruling out either course this afternoon — both will have to be considered. There may be a proposal for takeover; that is something that the House will in due course have to consider. I entirely agree with the hon. Gentleman on the need to try to preserve jobs, but in an industry where there is 40 per cent. over-capacity — this is the truck industry, and I accept that the van industry is different — difficult decisions will have to be taken. I shall try to provide the best solution to this difficult situation.

**Mr. John Mark Taylor** (Solihull): I welcome the Government's willingness to look at the separate parts of an unnatural aggregation differently, and perhaps find different solutions for them. I note that he holds in prospect for Land Rover in my constituency a trade sale or flotation. Will he accept that the people of Solihull would greatly prefer an option that left the shares of Land Rover in the hands of British subscribers?

**Mr. Channon:** I know my hon. Friend's views, as he has expressed them on many occasions with considerable force and effect. There is no change in the position of Land Rover from the statement that I made last April. I shall bear my hon. Friend's view in mind. There is no immediate prospect of any change in the situation. I referred to Land Rover in my statement because I thought that it would reassure my hon. Friend. I think that he will find that all is well so far, and I hope that he will keep in touch with me.

**Mr. Ian Wrigglesworth** (Stockton, South): Will the Secretary of State confirm that the collaboration that most hon. Members seem to be welcoming extends to the volume car business, and that the proposals that he will introduce in due course will still contain the element of collaboration with Honda that Rover Group has had so far? Will he say a word about the Unipart changes? Do the new arrangements safeguard the after-sales that affect British Leyland's interests?

**Mr. Channon:** The hon. Member will remember that I made a statement to the House about Unipart a few months ago. That sale is now proceeding. Detailed negotiations are now going on. I do not wish to go into the full details at this stage, but the situation has not changed since my statement. I think that the hon. Gentleman's concerns are covered, but if not I shall write



**Mr. Channon:** I entirely agree with my hon. Friend. They are excellent products, and, as I said in my statement, our aim is to try to ensure a secure future for the production of Leyland trucks. As my hon. Friend says, there is now international collaboration in the production of trucks. We have seen that in Iveco and in Enasa. Indeed, we see such collaboration all over the world. I am sure that that will continue to happen and it is unlikely that we will be able to stand aside. I am determined to have the best possible future for the production of Leyland trucks.

**Mr. Paddy Ashdown (Yeovil):** We accept that international collaboration is one of the options to be pursued. Does the Minister accept that, of the two options before us, the DAF option is preferable? I recognise that the Minister cannot comment on which of the two is preferable, but does he recognise that DAF, with its established network of retailers and a history of collaboration, is preferable? Many people might regard the Paccar deal as a buy-out to kill off some of the competition. Will the Minister give us two assurances? First, will he ensure that Paccar will not buy up in order to kill off competition and secondly, that the work force in Leyland trucks will be appropriately consulted across the board about the options that lie ahead?

**Mr. Channon:** The hon. Gentleman asked about the work force. I answered a question about that a moment ago. Consultation will take place through the normal machinery. He asked about the merits of the DAF and Paccar bids, but he will not expect me to comment on that at this time, although I take note of what he says. In considering what recommendation to make to me, the Rover Group board will have to consider all the business plans for the two operations in any proposals put forward. I shall have to consider any recommendation and the total business plans will be a factor.

**Mr. Steve Norris (Oxford, East):** Is my right hon. Friend aware that on two counts his statement will be especially welcome in my constituency? First, it will be welcomed because of the continuing good news about the progress of negotiations about Unipart, which I hope will be brought to a speedy conclusion. Secondly, the statement will be especially welcome in view of the irresponsible speculation about the future of Austin Rover, speculation fuelled almost entirely by the Opposition. That has been wholly harmful to the future and present prospects of the company. The Minister's words are a great reassurance to my constituents and to all those people involved in the future of Austin Rover.

**Mr. Channon:** I am exceedingly grateful to my hon. Friend for his question. I support what he says and I am grateful to him for saying it.

**Mr. Terry Davis (Birmingham, Hodge Hill):** Is the Minister aware that, although collaboration with DAF is welcome because it will increase the sales opportunities for Roadrunner Trucks and Sherpa vans in Europe, any further collaboration, particularly in manufacturing, will be carefully examined in the west midlands to ensure that any arrangement made will not lead to fewer jobs, especially at the Common lane factory which is one of the few growth points in manufacturing industry in the west midlands.

**Mr. Channon:** I note what the hon. Gentleman says and, of course, any proposed solution will have to be

carefully examined. It would be wrong for me to mislead the House. Whatever solution comes forward will involve restructuring in this industry, because there is 40 per cent. over-capacity in truck manufacture in Europe and there is also over-capacity in the United Kingdom. The House must take that seriously and it would be misleading for me to try to disguise it.

**Mr. Robert Atkins (South Ribble):** Is my right hon. Friend aware that the foremost aim of my constituents and those of my hon. Friends the Members for Watford (Mr. Garel-Jones) and for Lancashire, West (Mr. Hind) is to secure the long-term future of Leyland trucks, which is centred in my constituency? [HON. MEMBERS: "Reading."] Many people at all levels of the company, including trades union representatives, have pressed me to work for greater collaboration especially in Europe. Does he agree that the work force—[HON. MEMBERS: "Reading."]—whom the Opposition spend their time mocking instead of showing concern about this—have done all that has been asked of them in terms of the product, its marketing and its support. That has resulted in the product taking the largest share of the United Kingdom market.

Finally, is my right hon. Friend aware that two of the biggest problems for Leyland trucks are the need for more outlets in Europe and the United States of America and the need for substantial reinvestment in the new truck range, and that if the discussions provide an answer to those problems they will be welcomed by my constituents at all levels?

**Mr. Channon:** I am grateful to my hon. Friend. I agree with what he said about the work force and about the work that they have done in recent years at Leyland trucks. I pay tribute to him for his robust defence of their interests on all occasions in this House. Of course, more outlets are needed. Investment is also needed, but a profitable company is required to provide that investment. I suspect that greater collaboration is required, whether it takes the form of a merger or something else. A merger is almost certainly or, at the least, very likely to be the answer. I very much agree with my hon. Friend that we should aim at achieving a secure future for the production of Leyland trucks.

**Mr. Ron Brown (Edinburgh, Leith):** Is not the problem under-consumption rather than over-production, which in turn is a reflection of the crisis in the capitalist system worldwide? That crisis is made much worse by the fact that the bankers and financiers in the City of London are screwing down many countries in the Third world that would willingly buy British goods, particularly trucks. Is not that the crux of the problem? Surely it has to be admitted that Graham Day, the slick lawyer from Canada, the undertaker of British Shipbuilders, was brought in to destroy the industry rather than to build it up. That is the real issue that is at stake. Let us admit that Mr. Day is a hatchetman for the Conservative Government.

**Mr. Channon:** That is a rather astonishing accusation. Mr. Day was first employed by the Labour party when it was in government some years ago. I have with me a sheaf of quotations containing glowing tributes to him from all kinds of distinguished people. In particular, the shadow Home Secretary praised Mr. Day at all stages. If the House wants me to do so, I can read out those tributes. The idea that Mr. Day is a hatchetman imported by the Tory