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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
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MO 10/4V

23rd June 1986

Dear David,

VICKERS AND RO PLC

You wrote to me on 9th June ^{at flap} enclosing correspondence about the Challenger tank order and rationalisation of the heavy armoured vehicle industry sent to the Prime Minister by Sir David Plastow with his own letter of 9th June.

With the postponement of flotation my Secretary of State has already discussed these matters with Sir David and, as you know, we are beginning negotiations with Vickers for the kind of scheme he had in mind when he wrote to the Prime Minister.

In view of this I would have thought it sufficient for you to reply to Sir David on behalf of the Prime Minister referring to these events. I enclose a draft.

Copies go to Tony Kuczys (HM Treasury), John Mogg (Department of Trade and Industry), Joan MacNaughton (Lord President's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office) and to Brian Unwin (Cabinet Office)

*Yours sincerely
J F Howe*

(J F HOWE)

David Norgrove Esq
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Econ. POL PT13. Policy towards
privatisation.

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*Please type.
for my signature*

DRAFT LETTER TO SIR DAVID PLASTOW

You wrote to the Prime Minister on 9th June expressing your concern at the prospect of the award to RO plc of a further non-competitive contract for Challenger tanks. You also enclosed correspondence with MOD about the possible rationalisation of the heavy fighting vehicle industry.

As you will know these matters were fully considered in the context of the decision last week to defer RO flotation and the Prime Minister is glad to note that, following your meeting with Mr Younger on 18th June, discussions are now going on with the Ministry of Defence and RO plc to explore Sir David's proposal to purchase the Leeds factory. The Prime Minister hopes, however that these negotiations can be speedily concluded and will not unduly delay the placing of the much needed order for additional tanks.

*Vickers plc
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