

CONFIDENTIAL

cc D/EMP
DOE
SO
WO
D/T
D/N
CH SEC
NIO
LOD
MAFF
CO

Ireland

HS



10 DOWNING STREET

From the Private Secretary

5 August 1980

The Prime Minister has read the minutes of the meeting of E(EA) on 31 July, and has made the following comment on your Secretary of State's summing up of the discussion on the De Lorean sports car project. In regard to the further assistance of £14 million, she has indicated that - in her view - an understanding that no further assistance will be available is not enough. She would like the further £14 million to be made available on condition that further assistance is ruled out, and she has said that this condition should be put in writing.

I understand that the Secretary of State for Northern Ireland and his officials are seeing Mr. De Lorean this morning, and we have already spoken to Roy Harrington.

I am sending copies of this letter to the Private Secretaries to members of E(EA), Roy Harrington (Northern Ireland Office), David Edmonds (Department of the Environment), Bill Beckett (Law Officers' Department), Garth Waters (Ministry of Agriculture, Fisheries and Food), Godfrey Robson (Scottish Office) and David Wright (Cabinet Office).

T. P. LANKESTER

I.K.C. Ellison, Esq.,
Department of Industry.

CONFIDENTIAL

HS

31. 7. 80

CONFIDENTIAL

E(EA)(80)17th Mtg

Item 3. DE LOREAN SPORTS CAR PROJECT

The Sub-Committee had before them a copy of a letter dated 25 July from the Secretary of State for Northern Ireland to the Secretary of State for Industry seeking agreement to the provision of increased Government support for the De Lorean sports car project.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the project had been started by the previous Administration, with considerable support from public funds. The agreement with the company included an undertaking by the Northern Ireland Department of Commerce to consider an application by the company for further assistance if the projected levels of public support for the project proved insufficient because of factors beyond the company's control. The company was now seeking some £14 million under this provision, the bulk of which would be provided during the present financial year. However, McKinsey's, who had been monitoring the project for the Northern Ireland Development Agency, believed that the project could, in fact, require rather more support than this, possibly as much as £21 million in total. To support the project to this extent from public funds would mean that the cost of the new jobs which it would create would be very high. Moreover, there was considerable risk that the project might prove commercially unsuccessful given the very changed economic circumstances of the motor car industry since it had been started; and that Mr De Lorean might seek even more Government support at a later stage. On the other hand, if the Government refused the extra finance now requested, there was a strong possibility that Mr De Lorean would take the Government to court. He could, in any case, create a considerable public fuss which could only hinder the Government's efforts to attract new investment to Northern Ireland, and in this he would be supported by the 350 American dealers who together had invested some 8 million dollars in the project. The impact of the closure of the project on the local community also had to be considered. The De Lorean factory was situated in West Belfast, a mainly Catholic area with a very high unemployment rate, where Grundig had recently announced that they would be closing their factory with the loss of some 1,000 jobs. If the Government did not provide the extra finance sought by De Lorean this would be contrasted with their treatment of Harland and Wolff, which was situated in the Protestant area of Belfast. To refuse support would undoubtedly have an impact on the security situation in Northern Ireland at a time of year when emotions were, in any

CONFIDENTIAL

case, running high; and might also damage the present bi-partisan policy being pursued in the House of Commons by the Government and the Opposition. He had therefore concluded that the Government had no choice but to acquiesce. He would, however, seek to limit further public assistance to the project to the levels forecast by McKinsey; to ensure that as much of this assistance as possible was repayable; and to ensure that the Government's present commitment to fund the project was clearly terminated without the possibility of court action in the future. He would also make it clear to Mr De Lorean that there could be no possibility of Government support for the production of another sports car by his company.

THE ATTORNEY GENERAL said that the agreement between the previous Administration and the De Lorean company was not a contract in law. It did, however, commit the Secretary of State to give reasonable consideration to the provision of more help from public funds if the need for this did arise from factors not within the company's control. The Secretary of State was not committed to provide such assistance, merely to give a request reasonable consideration. But, if an action should be entered before the courts, it was likely that they would conclude that the implication of the agreement was that increased Government assistance would be forthcoming. Moreover, it was by no means clear that such an assurance had not been given verbally to Mr De Lorean during the course of the original negotiations. There was, therefore, every prospect that Mr De Lorean could commence an action against the Government, with no certainty as to its outcome. It would, however, be possible for the Government to provide the extra assistance now sought by the company on the firm understanding that no further public support would be forthcoming, thereby ruling out the prospect of successful court action in the future.

THE SECRETARY OF STATE FOR INDUSTRY, summing up a brief discussion, said that the Cub-Committee reluctantly agreed that the Government should provide the extra finance sought by Mr De Lorean. This should, however, be on the basis that there would be no further public support for this project, and the Secretary of State for Northern Ireland should ensure

CONFIDENTIAL

that this was agreed with Mr De Lorean in a way that would rule out the prospect of a court action in the future against the Government. There was, however, a substantial difference between the levels of further Government support sought by Mr De Lorean and those predicted as likely to be necessary by McKinsey. The Secretary of State for Northern Ireland should therefore seek to limit further Government support for this project to the £14 million specifically requested by Mr De Lorean. The Sub-Committee had, however, reluctantly agreed that he could provide assistance totalling £21 million, as suggested by McKinsey, if further examination showed this to be absolutely necessary. He should also make it clear to Mr De Lorean that there could be no prospect of Government support for a further project of this sort.

The Sub Committee -

1. Took note, with approval, of the Secretary of State's summing up of their discussion.
2. Invited the Secretary of State for Northern Ireland to negotiate with Mr De Lorean the provision of further public assistance of £14 million (or, if absolutely necessary, £21 million) on the clear understanding that there could be no further assistance from public expenditure for this project and in such a way that any prospect of court action against the Government in the future would be ruled out.

Cabinet Office
1 August 1980

An understanding is not enough. It has to be on condition that further assistance is ruled out and that condition should be put in writing now