



PRIME MINISTER

DE LOREAN

*cc Mr Warburton  
are dropped  
I take it this is  
the bank help in form  
to the various project  
not.  
in P.M.S. Box  
Information for 4/2*

*Am. Shroton*

*ECEA) agreed that  
his extra guarantee  
must be given -  
interesting that De  
Lorean was told that  
he could have nothing  
more. Do you go*

*File A*

In his minute of 3 February, the Secretary of State for Northern Ireland drew your attention to his recommendation, in E(EA)(81)3, that the Government should agree to guarantee further borrowing of up to £10 million by the De Lorean Sports Car Company.

*along with it?*

2 The Government is under no legal obligation to give further support to this project. The Secretary of State is, however, satisfied that unless further funding is made available the company will run out of cash by the end of February and the project will collapse just as the car has been launched and exports are starting. De Lorean can borrow the necessary sum from the Banks but only if the Government give a guarantee. If this were not forthcoming, and the project did collapse, there is little doubt that Mr De Lorean would lay the blame squarely at our door.

*12  
42*

3 In these circumstances, and in the light of the points in paragraph 5 of E(EA)(81)3, the Sub Committee reluctantly agreed at their meeting on 5 February that, subject to your approval, the Secretary of State should be authorised to give the necessary guarantee. The loans in question are required for immediate working capital needs and will be repaid by the end of the year. Over this period the Company's cash flow should improve and there is a reasonable chance that the guarantee will not be called and, therefore, that there will be no public expenditure. If this

*17*



turns out to be wrong, the Secretary of State has accepted that he will have to find the resulting public expenditure from within his present programme. He will arrange for the detailed terms of the guarantee to be agreed between the Northern Ireland Office and the Treasury.

4 The longer term future of the project remains uncertain but, if it is to fail, the Sub Committee agrees with the Secretary of State that this must be seen to be demonstrably the responsibility of Mr De Lorean and not the fault of the Government.

5 I am sending copies of this minute to the Secretary of State for Northern Ireland, to the other Members of E(EA) and to Sir Robert Armstrong.

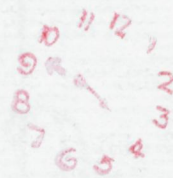
KJ

Department of Industry  
Ashdown House  
123 Victoria Street

6 K J  
February 1981



F-6 FEB 1981



Ireland

CONFIDENTIAL  
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MIO  
bc Mr RUGUID  
" WALTERS



10 DOWNING STREET

From the Private Secretary

9 February 1981

The Prime Minister has considered your Secretary of State's minute of 6 February reporting on the E(EA) discussion of the latest De Lorean proposal. She is prepared to go along with the proposed further guarantee, but on the basis that this will be the very last measure of assistance to this project.

I am sending copies of this letter to Roy Harrington (Northern Ireland Office), to the Private Secretaries to members of E(EA) and to David Wright (Cabinet Office).

TK

Ian Ellison, Esq.,  
Department of Industry.

CONFIDENTIAL



*Prime Minister*

*The SoS for Industry will  
minute you on the outcome  
of (E(CEA) discussion).*

*MS*  
*MAO*  
*24/2*

PRIME MINISTER

DE LOREAN

You will recall that, after the E(EA) meeting on 31 July last (E(EA)(80) 17th Meeting, item 3) you intervened to stiffen up the terms on which the last £14 million of government assistance should be given to the de Lorean project (your Private Secretary's letter of 5 August to the Department of Industry).

I think that in view of this I should now draw your attention to the paper I am circulating to the Sub-Committee (E(EA)(81)3) about Mr de Lorean's request for further assistance in the form of a guarantee for borrowings of up to £10 million. As you will see from the paper, the company can only obtain private finances to allow the car to be launched if the Government provides a guarantee. I have been reluctant to propose that such a guarantee should be given, but I am convinced that, for reasons mainly special to Northern Ireland, we should accede to this request.

I am copying this minute to the Secretary of State for Industry and to Sir Robert Armstrong.

*Indep*  
7P HA  
(Signed on behalf of the  
Secretary of State in his  
absence)

3 February 1981

3 FEB 1981



Ireland 2  
cc Mr. Duguid

~~Mr Alexander~~  
to see  
H. [unclear]

TIME MINISTER

Confirmation from the Northern Ireland Office that the latest assistance agreed to the De Lorean project will be the last - except in so far as they might eventually come up with a second stage project, for example for a second model (which seems unlikely). However, the letter draws attention to the continuing cash difficulties of the company. In other words, we may be faced with having to let the project fail.

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MS

TL

25 March 1981



NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

Tim Lankester Esq  
Private Secretary  
10 Downing Street  
London SW1

25 March 1981

Dear Tim,

DE LOREAN MOTOR CARS LIMITED

In your note of 9 February to Ian Ellison you referred to the Prime Minister's agreement to the provision of further assistance in the form of Bank guarantees to this Company "on the basis that this will be the very last measure of assistance to the project".

In order to set the record completely straight as well as to update you, I think that I should tell you:

- (a) the guarantees underpinning up to £10M of Bank-borrowing are the last amount of selective assistance which will be made in respect of the DMC-12 car project;
- (b) the Company is, of course, still due to be paid the final amounts of assistance under the earlier selective assistance agreements (grant aid of £11.15M remains to be paid of which £9.75M will be retained by Department of Commerce in repayment of loans made to the Company), but these are included in the commitments listed in Mr Butler's answer to Mr Jock Bruce-Gardyne's Parliamentary Question on 12 March 1981, Official Report Vol. 1 No. 66, Cols 994-995 (attached);
- (c) the Company is also entitled to draw various forms of assistance under standard schemes which apply to all manufacturing companies (grants in respect of capital expenditure not grant-aided under the selective assistance agreements (akin to RDGs), security staff grants, training grants, etc.).

The project to which the pattern of assistance relates is, of course, the current project for the production of the DMC-12 sports car. If, but only if, the company were in future to establish a record of achievement and viability, to meet in full all its obligations to Government in terms of loan repayments, payment of royalties etc, and to put itself in a position to





obtain substantial private backing, the Department of Commerce would expect to be free to consider from it (as from any established company in Northern Ireland) proposals for Government assistance towards further development, eg by way of production of a second model. However, there can be no question of this at the moment.

Mr de Lorean continues to be unpredictable and difficult in his dealings with Government. As you may have seen, there was recent press publicity, undoubtedly inspired by Mr de Lorean himself, in which he returned to the suggestion that Government could greatly improve the sales prospects of the car by waiving various payments due to it, and thereby making possible a lower selling price. In response to this it is to be made absolutely clear yet again that the Government stands firmly by the line stated by Mr Butler in the House of Commons on 12 February, that is to say that the guarantee of £10M of borrowing represents the last word in terms of support for the present project. In the course of last week there were disturbing suggestions of a further cash crisis because the initial shipment of cars had slipped back. The latest information, however, is that the technical problems which have caused this slippage have been overcome, that the company should be able to make a first shipment of saleable cars on or about 12 April, and that it can live within available resources during the launch period. It is clear, however, that the company faces a difficult period ahead until cash from sales begins to accumulate, and that any further serious problems could again create an urgent cash crisis. The Department of Commerce and NIDA are monitoring the situation very closely.

I am sending a copy of this letter to Ian Ellison (Department of Industry and Terry Matthews (Treasury)).

Yours sincerely  
Mike Hopkins

M W HOPKINS

\* De Lorean Motor Cars Limited

9. Mr. Bruce-Gardyne asked the Secretary of State for Northern Ireland what is now the aggregate cost to public funds of all subventions irrevocably committed to the De Lorean Corporation; what is the current level of employment by the corporation; what is the ratio of the latter to the former; and what is his best estimate of compensation payable in the event of withdrawal of Her Majesty's Government's support.

13. Mr. Cryer asked the Secretary of State for Northern Ireland if he will make a statement on the financial control of De Lorean Cars.

**Mr. Adam Butler:** The Government's commitment to the DMC-12 project comprises grants of £28.5 million and loans of £20.7 million. The Northern Ireland Development Agency has subscribed £17.8 million in the form of participating preference share capital. De Lorean Motor Cars Ltd. currently employs about 1,030 people.

It would be misleading to relate the gross total of these figures, which include loans, and share capital, to the present numbers employed as these are expected to double; while account must also be taken of the receipt by Government of royalties on cars sold.

The Government have informed the House that they will honour the commitment to the company which was entered into by the previous Government. The question of compensation does not arise.

My officials and the Northern Ireland Development Agency receive regular and detailed information on the company's financial position and are in regular contact with the company's arrangement.

**Mr. Bruce-Gardyne:** I am grateful to my hon. Friend for those details. We shall want to study them with care. May I congratulate my hon. Friend on resisting the latest financial blandishments by this American gentleman, so far? Has he noticed the American gentleman's plans to build another car plant in the South of Ireland? What plans do we have to scrutinise financial cross-fertilisation between Belfast and Shannon?

**Mr. Butler:** We must see whether the De Lorean companies establish themselves in Southern Ireland. I am anxious to see that the present exercise is successful. We regularly monitor the companies' financial affairs. We see monthly statements of one type or another, quarterly statements and the audited financial accounts.

**Mr. Cryer:** Will the Minister confirm that the Department has a majority of voting shares and therefore retains effective control? Does he accept that some degree of financial accountability is owed to the House? Therefore, will he ensure that parliamentary questions about such matters as the contract with Lotus Cars and the fees paid to directors are answered in the House, so that we can be confident that the project is going ahead with the minimum of reward to the directors, and that they are not making a fat killing?

**Mr. Butler:** The Government do not have the majority of voting shares. NIDA's share is only in redeemable preference share capital. In addition, we have two nominees on the boards of the car company and the parent company in America so that we are able to keep a close scrutiny on what goes on. The hon. Member for Keighley (Mr. Cryer) never ceases to ask questions about this company. It is not right to disclose commercially confidential information.

**Alan Clark:** Since my hon. Friend, in common with any objective analyst, must now be discarding any notion that these cars will be built or sold commercially, will he assure the House that he thinks that the project has some merit as a job creation scheme?

**Mr. Butler:** Any company employing 1,000 people in Northern Ireland, with prospects of increasing the number

to 1,400 in June, is well worth supporting. My hon. Friend mentioned the commercial nature of the exercise. I wish that he would come to Northern Ireland and see the plant. It is remarkable. It is turning out cars at the rate of between 20 and 25 a day and the first are expected to be shipped before the end of the month.