

Walter
Dwyer

My acquaintance
is also reluctant
if this disruption
or shall have to
review the July 7
the whole plant
not



Prime Minister.

PRIME MINISTER

The Chief Secretary "acquiesces reluctantly"
in Mr Atkin's proposal to increase the Government
guarantee for De Lorean from £10M to £17M;
and Sir Keith Joseph is ready to go along with
it on "political and counter-terrorist" grounds
rather than for any industrial reasons.

Approve Mr Atkin's proposal?

Yes
if so, are you content that he should
announce this decision by written answer on Friday?

DE LOREAN

Amongst the features of the difficult situation here which has ^{has been?}
developed since the death of Sands on hunger strike has been a
series of attacks upon and other disruption of the De Lorean
Motor plant. The factory is located on the fringes of the
predominantly Roman Catholic Twinbrook Estate, to which the
body of Sands was brought prior to the funeral. In spite of
a very substantial presence of Security Forces on the ground,
local disorder on the night of Monday 4 May was so intense
that rioters were able to set fire to part of the plant's
office accommodation located in a range of temporary buildings,
with a consequential serious loss of virtually all personnel
records and also of some production drawings. The damage caused
will be the subject of a claim under the Northern Ireland
Compensation Code.

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2. Although precautions since then have been successful in
preventing further physical damage to the plant, the company's
perimeter has on several occasions come under attack, and on
the night of Tuesday 12 May shots were fired into the factory
area, holing a major water tank which feeds the factory sprinkler
system. There has had to be, on numerous occasions, a substantial
presence within the plant itself. In addition, the work force
have been subjected to repeated attempts to intimidate them into
leaving work to join rallies, etc.

3. In face of all these pressures, and located as they are in
a difficult and tense area, the attempts of the majority of the
work force to get to work have been commendable. However,
production in the plant has inevitably been seriously disrupted

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on successive occasions, and at a time when the company's plans call for a steady build-up in the momentum of its production line. These difficulties led the company, on 6 May, to decide to divert a ship which would, on previous plans, have left from Belfast with a shipment of cars on or about 13 May. The next shipment is now due out on 23 May.

4. As you will recall, we had decided in February, faced by evidence of cost increases many of which were genuinely beyond the company's control, to add to existing measures of Government support a guarantee for bank borrowing of £10m. Since that date we have consistently told Mr De Lorean and his associates and also made it clear in Parliament that the company must live within this funding limit.

5. From our monitoring of the company's affairs it has for some time been clear that the company would have very little room for manoeuvre. Indeed, it could only see its way through the period until income from sales began to build up by significantly extending its commercial creditors.

6. However, we now face a new situation. The deferment of a shipment and therefore of receipts has opened a cash gap which, if it cannot be filled, will inevitably lead to a very early decision to cease trading. In these circumstances an important and prestigious Government-backed enterprise would be seen to be brought to its knees by the Provisional IRA and its sympathisers. In the process our industrial development efforts, particularly in America, would be virtually destroyed.

7. Although the plant is now calm, and absenteeism for instance is at its lowest ever, it is not possible to look ahead too far with any confidence. If disorder in the area were to be repeated

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and sustained over a lengthy period, and the resumption of the planned acceleration of production to be indefinitely delayed, the cost of support could prove too high to bear. But I am sure it would be wrong to allow the operation to sink at this stage, and I am convinced that we should provide a guarantee, for up to £7m, of borrowing to see the company through the crisis and into calmer waters.

8. It should also be noted that the irrecoverable loss of production and sales will affect the company's forward cash requirements and possibly the year end position when the guarantees for the £10m lapse. However, it is too early to take any decision on that matter; and I would propose to indicate to the company that the terms of the agreement on the guarantees stand.

9. It is helpful that the company has made a preliminary announcement which could lead to a substantial injection of private money this year.

10. I thought carefully about seeking support for a higher "umbrella figure", say £10 million, within which I would operate as circumstances dictated, but I have concluded that it is right that, while we should show the company that Government will join in combating the efforts of unlawful elements to put it out of business, it is equally right that we should act in such a way that it will be recognised that at the end of the day the success of the venture depends upon the company's efforts.

11. I expect to receive the support, albeit with reservations, of both Leon Brittan and Keith Joseph, to whom I have written about the company's problems, in taking this course, and I hope

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it will be acceptable to you. The need is to act very quickly if the company is to continue to trade.

12. Apart from the substantive decision about further assistance, there is the difficult question of presentation to be resolved. A case could be argued for not revealing this new guarantee so as not to alarm creditors or give encouragement to the terrorists.

13. However, I have no doubt that, in view of assurances previously given to Parliament, I must inform the House and propose a written Answer on Friday immediately before the Recess. The Answer would make it very clear that further funding was consequent upon the terrorist action.

14. I would be most grateful for your approval (subject to the views of Leon Brittan and Keith Joseph) to proceed as I have suggested, both in relation to further but limited support and to an announcement of that decision.

15. I am copying this minute to Leon Brittan and Keith Joseph, and to other members of E(EA).

H.A.

H A

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20 May 1981

DE LOREAN

DRAFT PQ

- Q. Have De Lorean Motor Cars Ltd sought any additional finance following the recent attack on their premises?
- A. Part of the company's office accommodation was destroyed by fire started by a petrol bomb attack on 5 May 1981. No damage was caused to the main factory buildings or equipment, but for some while following the fire manning and productivity levels were severely reduced because of disturbances in the vicinity of the factory. The disruption of production and shipment of cars has adversely affected the company's cash flow. A claim for compensation is being pursued by the company under the Criminal Damage legislation and the Department of Commerce has agreed to provide a further time-limited guarantee of £7m in respect of the additional commercial loans which will be required.

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From the Principal Private Secretary

21 May 1981

Walters
Duguid.

Dear Stephen,

DE LOREAN

The Prime Minister has seen your Secretary of State's minute of 20 May 1981 about the difficulties which the De Lorean motor plant is facing as a result of the present security situation in Belfast, and as I told you on the telephone this morning, she agrees, though with some reluctance, that the Government guarantee for the company should be increased in the way Mr Atkins proposes. She has commented, however, that if the disruption which De Lorean is suffering at present goes on, Ministers will have to review the future of the whole operation.

The Prime Minister is content that Mr Atkins should announce the Government's decision by a Written Answer tomorrow, Friday, 22 May.

I am sending copies of this letter to Ian Ellison (Department of Industry), Terry Mathews (Treasury), to the Private Secretaries to the other members of E(EA) and to David Wright (Cabinet Office).

Yours ever,

Alvi Whitmore.

Stephen Boys-Smith Esq.,
Northern Ireland Office.

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CW

Is it imeritave for the recipients of this letter to get it by the end of today ?

In other words, by hand to all ?

only to ~~Walters~~ +
Muller - the
rest can go - the
usual way.

(hidden Walters
Duguid)

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Humphrey Atkins MP
 Secretary of State
 Northern Ireland Office
 Great George Street
 London SW1P 3AJ

20 May 1981

Humphrey Atkins

DE LOREAN MOTOR COMPANY

will request of repayment

Thank you for your letter of 15 May on this subject.

I am greatly concerned that the company are again in a position where they need to turn to Government for further assistance. However, in the circumstances which you explain in your letter and which your officials have enlarged on in discussion with mine, I would be prepared to acquiesce with extreme reluctance in the existing Government guaranteed loans being increased from £10 million to £17 million.

It is intended that the increased borrowing to be guaranteed by the Government should be for repayment by 31 December 1981 like the existing £10 million. You refer, however, to the possibility that the company may not be able to extinguish the debt by then. I find the prospect of a further proposal for Government support at that stage alarming and my acquiescence in your putting your present proposal to the Prime Minister is conditional on your giving urgent consideration to devising the best way of getting the Government out of potential liability to the company as soon as possible. My officials would be glad to discuss with yours how this can best be done.

The terms of the new borrowing facility should be at least as good as those applying to the existing loans. If, therefore, the Prime Minister approves your proposal, I should be grateful if the terms of the new borrowing and of your proposed Parliamentary announcement could be cleared with my officials.

I am sending copies of this letter to the Prime Minister and Keith Joseph.

Leon Brittan

LEON BRITTAN

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21 MAY 1987



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DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

21 May 1981

Clive Whitmore Esq
10 Downing Street
London SW1

JMJ
2W.

Dear Clive

DE LOREAN

We spoke on the telephone about the Northern Ireland Secretary's letter of 15 May to my Secretary of State and his minute to the Prime Minister of 20 May.

2 My Secretary of State thinks that, on industrial grounds, there is no case for pouring further public money into the De Lorean project. In his view it should never have been started. My Secretary of State notes, however, that some of De Lorean's present difficulties are the direct result of terrorist attacks and it seems to him that the need to counter terrorism is more important than the industrial policy considerations which arise. He is therefore prepared to agree with the line taken by the Northern Ireland Secretary.

3 I am copying this letter to Stephen Boys-Smith (Northern Ireland Office) and to Terry Matthews (Treasury).

Yours ever

Ian Ellison

I K C ELLISON
Private Secretary

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21 MAY 1981



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