



Secretary of State for Industry

DEPARTMENT OF INDUSTRY

ASHDOWN HOUSE

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Ireland
MS 18/12

18 December 1981

The Rt Hon James Prior MP
Secretary of State for Northern Ireland
Northern Ireland Office
Great George Street
SW1

Dear Jim,

De LOREAN MOTOR CARS LIMITED

In accordance with the conclusions of the meeting of E(EA) on 16 December (E(EA)(81)18th Meeting, Item 1), I discussed with you this morning the basis on which the Government's guarantee of commercial bank borrowing by de Lorean might be extended and also other initiatives which might be taken to improve the monitoring and management of the company and the Government's relations with it.

2 We agreed on seven points which I have subsequently confirmed are acceptable to the Chief Secretary, Treasury. They are as follows:

- i You will approach de Lorean's bankers urgently to try to persuade them to accept at least some of the risk of lending to the company. If they refuse to agree to this, you have the Sub Committee's authority to extend the Government's guarantees of commercial borrowing by de Lorean as proposed in your letter of 10 December to me - that is, after the existing guarantees for up to £17 million expire on 31 December 1981, the Government will guarantee borrowing of up to £10 million until 31 May 1982, up to £5 million until 31 August 1982, and nothing thereafter.
- ii You will arrange for your officials to discuss urgently with the Treasury what improvements might be made in the arrangements for monitoring the company. The objective will be to ensure that, as with the nationalised industries and other companies in which the Government has a financial interest, the Departments concerned are provided with sufficient information on a monthly basis for them to judge whether de Lorean is on course to meeting its objectives.



- iii You will ask the Northern Ireland Development Agency to replace as soon as possible one of their present nominees to de Lorean's Board by an experienced and nationally known businessman. I understand that, as one of the NIDA nominees wishes to leave the Board soon, this change should present no problems.
- iv You will arrange for an independent appraisal of the company's financial performance and prospects to be carried out urgently with a view to a report as soon as possible in the New Year. You had it in mind that this appraisal might be carried out either by Arthur Anderson or by Peat Marwick. It occurred to me after our discussion that another possibility for your consideration might be McKinseys since they are already involved in the monitoring of the company.
- v You will pursue further your ideas for arranging for de Lorean's parent company in the United States to take on the risks of their subsidiary rather than leaving them to the Government. You said that you would take advice from a suitable merchant bank on how best to approach the American company and to persuade them.
- vi Your officials will provide the Treasury with details of de Lorean's sales so far in the United States.
- vii You will send to the Chief Secretary a copy of the prospectus for the company's flotation which Mr de Lorean has lodged with the United States' Securities and Exchange Commission.

3 I should be grateful if you would inform the Sub Committee of the outcome of your discussions with the banks on the extension of the guarantee - point i above - and, in due course, on the other main points, ii - v, which you are pursuing.

4 I am sending copies of this letter to the Prime Minister, to the Members of E(EA), to the Lord Privy Seal and to Sir Robert Armstrong.

You are
Patel

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Ireland
Prime Minister

(4)



NORTHERN IRELAND OFFICE ^{Ms 7/1}
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

7 January 1982

Dear Patrick

MS

DE LOREAN MOTOR CARS LTD

As requested in your letter dated 18 December I am now writing to inform you of the outcome of the discussions with the Company's banks - Citibank and Barclays - in relation to the point raised at para 2(i) of your letter.

I am afraid that the answer from both was that they were not prepared at that time to agree to the provision of any part of the loan facility without the security of a Government guarantee. Both banks had considered their positions carefully in November when the company, at the request of my officials, had asked for unsecured facilities. They decided then that they could not provide such facilities and have now confirmed that their decisions still stand. The reasons for their refusal are principally that the Company has not yet established a record of profitability and there is a deficit of stockholders' funds after taking account of accumulated losses. In this situation the banks contended that it is normal practice to seek from the stockholders full security for any borrowings which are required for working capital purposes.

Both Citibank and Barclays have said that they have been impressed by the rate of progress of the company during the second half of 1981 and if the progress is maintained they will be prepared to look afresh at the Company's funding requirements about the middle of 1982. Citibank has also pointed to the fact that it has made available to the Company a substantial foreign exchange trading facility under which they have negotiated certain spot and forward exchange contracts on which the bank carries the conversion risk in the event of the Company being unable to complete a transaction on maturity.

I am satisfied that in the circumstances we did all that we could to obtain an unsecured facility, and I have had to accept the bank's position. I have, therefore, agreed to the provision of the guarantees, in the terms outlined at Paragraph 2(i) of your letter. The Banks have confirmed that the terms and conditions of the renewed lending facilities will be the same as those applying to the current loans.

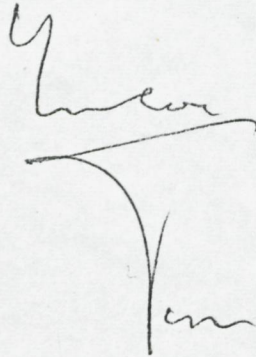
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Action is also being taken on the other points which were raised in your letter and I will write to you about these as soon as possible.

I am sending copies of this letter to the Prime Minister, to the other Members of (EA), to the Lord Privy Seal and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'Y. Llewellyn', with a large, stylized flourish extending downwards from the end of the name.