

From: THE PRIVATE SECRETARY

Prime Minister ②

MUS 27/4

cc BT
JV



→ John Wiles

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NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

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Michael Scholar Esq
10 Downing Street
LONDON
SW1

27 April 1982

Dear Michael

DE LOREAN

Since my Secretary of State reported orally to the Cabinet last week, events have taken an unexpected course which led the Receivers to change their plans for a cessation of production and short-term mothballing of the plant at Dunmurry. This letter sets out the two main developments.

First, the Bank of America withdrew its objection to the bulk sale of cars in the USA (under this arrangement, cash has been raised from a Finance House for payment to creditors of the US company, mainly Bank of America; and the cars are to be subsequently redeemed from the Finance House and sold through dealers in the normal way); and a bulk purchase of 200 cars from Dunmurry has been arranged which would provide cash to the Receivers for use in maintaining a limited operation at Dunmurry to the end of May. Second, Mr De Lorean arranged for lawyers representing the potential investor of \$35 million to talk in New York to American lawyers representing the Receivers. Although the identity of the investor and the terms on which the investment would be made were not revealed, the Receivers were satisfied that a genuine opportunity to resuscitate the business had been established and on that basis were prepared to continue a limited operation for about four more weeks to allow detailed discussions to be pursued.

The Receivers have spent a total of £2.233 million in maintaining the operation at Dunmurry since their appointment on 19 February but as £1.02 million was transferred from the company's account and there have been receipts of £446,000, mainly from the sale of cars, the amount which they have borrowed as at 16 April was £766,000. The costs for the month of May should be met from the proceeds of the bulk sale (expected to be some £1.4m). This income is vital since, as they told Mr Prior last week, the Receivers did not think it right to continue the factory operation any longer unless funds were produced from America.

Clearly there is a need for further detailed investigation by the Receivers to establish whether a genuine opportunity exists to keep the De Lorean business going in Belfast and to explore the terms and conditions on which the new investment would be made. The Receivers must satisfy themselves that adequate finance would be available to

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carry on the business before getting down to the details of the transfer of assets but it is clear that the deal which is being considered would require the transfer of the fixed assets to DMCL 1982 (the new company already formed by the Receivers) subject to the assumption by it of the fixed and floating charges on the assets in the sum of some £21 million, ie DMCL 1982 would become responsible for repayment of the loans and Government would maintain as its security the current fixed and floating charges over the assets.

The Receivers have been told that the Government cannot consider any proposition (whether on these lines, or on any other lines) until full details of the whole of the proposed arrangements are available. If a detailed proposition does emerge from the Receivers' current enquiries (as we hope it will, for this has every appearance of being the last chance of saving some of the employment in West Belfast and making something of a considerable investment), Mr Prior will of course consult colleagues on the response he should give. Meanwhile, it is difficult for us to form a view on the merits of what may emerge. In any event, we shall keep you informed of developments.

I am copying this letter to Private Secretaries to other members of Cabinet and to David Wright (Cabinet Office).

Yours sincerely,

Mike Hopkins

M W HOPKINS

CONFIDENTIAL
From: THE PRIVATE SECRETARY

John [unclear] ✓ cf TSI
MB 4 SV

Ireland

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ



Prime Minister (2)
MUS 22/4
22 April 1982

Michael Scholar Esq
No 10 Downing Street
LONDON SW1

Dear Michael,

MB

DE LOREAN

The Secretary of State for Northern Ireland reported this morning on De Lorean. Since then there have been two significant developments which considerably change the situation and which you may wish to know of:

- (i) the Bank of America has lifted the charge it had on the 2,000 cars in the USA. This removes one of the obstructions to progress, and one of the major disincentives to investors.
- (ii) The Receivers have today initialled the heads of the deal for the sale of the Belfast plant; this is still without commitment and subject to contract. We are not yet in a position to say what the precise nature of the deal is (and nor will the Receivers be until tomorrow) but we do know that the Department of Commerce debt will remain secured against the assets as it is now. Nor can the Receivers at this stage tell us the nature of the investment which lies behind the deal.

I am sorry that at this stage I cannot be more specific; as you see, the Receivers themselves do not at the moment have the full picture. But these sudden developments mean that the situation is different and more hopeful than it seemed to be when the Secretary of State reported this morning, and he was anxious that the Prime Minister should be aware of how things had changed.

Clare
Styler

S W BOYS SMITH

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John De Lorean to see 2. Ireland 15/4

NORTHERN IRELAND OFFICE

GREAT GEORGE STREET,
LONDON SW1P 3AJ



SECRETARY OF STATE
FOR
NORTHERN IRELAND

*cc Mr Ingham
Mr Viret*

Prime Minister

*No encouragement here; but
De Lorean himself has not
yet given up.*

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

MJP 13/4

13 April 1982

[Handwritten mark]

Dear Secretary of State,

DE LOREAN RECEIVERSHIP: PROGRESS REPORT

I felt that you should know the current state of play in relation to the prospects for rescuing the De Lorean company which Sir Kenneth Cork and Mr Paul Shewell have been pursuing since their appointment as joint receivers and managers on 19 February 1982.

Attached is a brief report which indicates, I am afraid, that the likelihood of finding a buyer for the business is small and that the receivers' judgement is that they should cease production in the week ending 23 April 1982, unless there is some dramatic, and currently unexpected, interest exhibited meantime. After 23 April they would proceed towards an orderly disposal of the assets.

I feel that I must accept the judgement of Sir Kenneth Cork and his partner although undoubtedly I will come under pressure to keep the business going for a further period.

You will also wish to note that Mr De Lorean has indicated to the receivers his belief that after Easter he would be in a position, with backing from independent sources to make a bid for the assets of DMCL. The Receivers are very doubtful about his prospects and have made it clear to him that he must come forward not only with a proposition but evidence of unfettered financial support of the magnitude required. We must wait and see what, if anything, is proposed but clearly any deal with John De Lorean will need to be watertight and defensible. If anything should develop on this front I would of course wish to take your advice.

I am copying this letter and enclosure to the Prime Minister, members of E(EA) and Sir Robert Armstrong.

*Yours sincerely
James Prior*

PJ JAMES PRIOR
(Signed on behalf of the
Secretary of State in his absence)

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DE LOREAN RECEIVERSHIP: PROGRESS REPORT

Position at Dunmurry

1. Production of 35 cars approximately per week has been maintained at Dunmurry during the last 6 weeks. Approximately 1500 continue to be employed and one shift per week is being worked (although shop floor employees are paid their guaranteed week of 60% of normal earnings or the equivalent of 3 days pay). At 2 April approximately 1000 cars were in stock in Belfast. Work could continue at the present level until about end April based on current stocks of engines and parts (the factory will be closed for a full week at Easter, ie in the week commencing 12 April there will be no production). The quality of the cars produced during the receivership is believed to be suitable for delivery to dealers. The atmosphere in the factory during the period of receivership has been calm and routine.

Prospects for attracting a purchaser

2. None of those who showed initial interest have stayed the course. The only current prospects are a consortium led by a Mr Norman of Alabama, but he has shown no sign of being able to command the necessary financial backing, and an unnamed investor whom John De Lorean claims to have available to back him. The receivers have contacted many companies at high level (see list attached). So far Ford, Mitsubishi and Volvo have ruled out any interest. Follow up action is being taken and Mr Lander (MD of DMCL) will be used in this phase if any worthwhile prospects emerge. The list of contacts has been weighted heavily in favour of Japan because the Receivers felt that both American and West German companies were unlikely, at present, to exhibit interest. Mr De Lorean's mood and style of presentation of the prospects for the business have been unhelpful. Mr Lander has explored the assembly of a management-led consortium but a major stumbling block is the amount of capital that is required. He is in touch with Guidehouse Limited and proposes to explore other sources of finance eg Japanese or Hong Kong based banks.

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Current Problems

3. It has been the clear view of the receivers that for so long as stocks of approximately 2,000 cars are blocking the US system, ie the 2,000 cars in DMC's Quality Assurance Centres over which Bank of America have obtained via the US Courts an order conveying "technical possession", there could be no possibility of seriously interesting any purchaser or financier. John De Lorean had taken up a position that he did not owe any cash to DMCL for any of the unsold cars (although 1200 were shipped from Belfast without payment) because an account for \$24 million had been submitted to DMCL in respect of contingent liability for warranties, etc. The receivers have repudiated this account and have objected most strongly to any deal for the sale of the cars which would not provide an equitable return to DMCL; they have threatened legal action and writs to stop any sale. Bank of America is aware of the receivers' position and seems also to be unhappy with Mr De Lorean's wheeling and dealing. Mr Shewell has had recent meetings with Mr De Lorean and representatives of the Bank of America in New York but so far no sensible way forward which would break this log jam of cars 'impounded' by Bank of America, has been found. Nevertheless Mr De Lorean remains in control of the US company (De Lorean Motor Company) and has expressed his intention of visiting London on 14 April to see if it is possible for him, with substantial independent financial backing, which he claims to have negotiated, to agree terms for the purchase of the assets of Northern Ireland business from the receivers. He is said to have put up \$1.3 million of personal funds to pay some creditors of DMC and to meet payroll costs and in addition to have pledged \$3.3m to meet creditors' claims on DMC.

4. The Receivers now feel that in the absence of any firm proposition for the purchase of the business as a going concern they could not justify the expense of maintaining production beyond the week ending 23 April. They have therefore decided that if the position in the interim remains unchanged they will cease production in that week (the workforce would be brought in for work for the final time on 19 April) and make the entire workforce redundant. Mr De Lorean

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has been informed that they have so decided and that if he wishes production to continue beyond 23 April he must, before 1800 hours on 16 April, agree to (a) meet the costs of further production and (b) have entered into substantive negotiations for the purchase of the business having disclosed to the receivers the identities of his backers and satisfied the receivers that funds of the magnitude required (in the receivers' estimation these could amount to about \$50 million) are available for investment on suitable terms and conditions.

5. After 23 April, if the workforce has been made redundant, the receivers propose to continue their efforts to sell cars, without warranty, into Canada, Middle and Far East and South Africa. (Cars cannot be sold in Europe because of the need for Type Approvals in each country requiring modifications to the car.) They believe that it might be possible during April and May to arrange the sale of up to 600 cars at a price of around £10/12,000 per car. They would also 'mothball' the plant while deciding how best to approach the task of disposing of the assets.
6. At 23 April the cost of continuing production for the 9 weeks of the receivership is estimated at £1.25m net of income (approximately £450,000) from the sale of cars and cash available to the receivers from DMCL (approximately £1m). Costs of redundancies and closure would be added to this figure.

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DE LOREAN MOTOR CARS LIMITED (IN RECEIVERSHIP)

Updated list of Companies contacted

Individual Companies

Fuji Heavy Industries (Subaru)
 Mitsubishi
 Hyundai Motor Company
 Renault
 General Motors
 Volvo
 Paccar (Washington USA)
 Suzuki
 Toyota
 Honda
 Toyo Kogyo
 British Steel Corporation
 Ford Motor Company

Individuals

H D Norman (alleged Consortium - Alabama)

Trade Associations

Japanese Chamber of Commerce
 German Chamber of Commerce
 German Trade Associations:

Auto Industry Trade Association
 Electrical Industry Trade Association
 Mechanical Industry Trade Association

Cooperation North (contact A J F O'Reilly)
 British Embassy Japan (contact (a) Ambassador
 (b) J Hodge
 (c) P Denton)

Other Representatives

Guidehouse Limited
 Peat Marwick Mitchell
 Arthur Andersen

Further potential companies have been/are being identified in conjunction with Department of Commerce offices/representatives overseas.