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10 DOWNING STREET

From the Private Secretary

11 August 1982

De Lorean Motor Cars Limited

Your Secretary of State had a meeting with the Prime Minister on this subject at 1830 yesterday evening. The Secretary of State for Industry was present, in his capacity as Chairman of the Cabinet Ministerial Sub-Committee on Economic Affairs (E(EA)).

Your Secretary of State said that De Lorean's Joint Receivers had found a consortium, consisting of some of the creditors and managers of the company, who were interested in taking over the business as a going concern. Hill Samuel had agreed to try to raise the £12 million which would be necessary to launch the new project. If they failed in this attempt, that would be the end of the matter. He had made it quite clear to Hill Samuel that there was no question of further financial assistance from the Government. The alternative to pursuing this proposal from the Receiver would almost certainly be liquidation. He shared the Receiver's view that there would be no hope of resurrecting the business once it had been liquidated; the American market would probably not survive liquidation, and the business's suppliers would probably scrap their tools. The net return to the Government would be almost nothing. For this reason, he felt that the Government would be severely criticised for not giving the Receiver's proposals a fair wind, and allowing Hill Samuel time to attempt to raise the necessary £12 million. This would only mean extending the receivership for another three months, and underwriting Hill Samuel's fee, to the sum of not more than £100,000. The Government might be able to recoup some of these costs by selling the approximately 1,000 cars still held by DMCL. If the company was liquidated, there would almost certainly be a "factory lock-in" and the cars would probably be destroyed. Finally, he said that there would be no significant role for Mr. John De Lorean in the running of the new consortium, although they would of course have to negotiate with Mr. De Lorean on sales rights in the USA, since these were the property of Mr. De Lorean.

Mr. Jenkin said that E(EA) had little faith in the Receiver's proposals, which were a last desperate attempt to keep the business running. The Committee were particularly sceptical of the proposal to resurrect the manufacture of the TR7/TR8, for which there was no

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market outlet, and on which BL had never made a profit. The Committee were also concerned that pursuing the Receiver's proposals would lead to further Government involvement; there could be no water-tight assurance that the Government would not be called on to provide further financial assistance. For instance, if Hill Samuel were to raise half the £12 million necessary, there would be irresistible pressure on the Government to provide the other half. Moreover, if the consortium had faith in the project, they would surely meet Hill Samuel's fee themselves. E(EA) had not therefore been willing to endorse your Secretary of State's proposals (paragraphs 18a and 18b of E(EA)(82)25). But the Committee had felt that it was for the Receiver to decide exactly when De Lorean Motor Cars Limited should be put into liquidation.

The Prime Minister said she was not willing to overturn the decisions of E(EA); but the Receiver had clearly defined legal duties, and she would not interfere in his execution of these duties. E(EA) had not endorsed Sir Kenneth Cork's proposals that the Government should accept his formula for dealing with the Department of Commerce's loan of £20.9 million, and the cost of meeting the called guarantee of £10 million; nor had they agreed that the Government should underwrite Hill Samuel's fee. But it was for the Receiver to decide how best to discharge his duties in the light of these decisions. If he decided that he needed to seek authority from the Government for any actions that he might wish to take, your Secretary of State should put the matter to the Cabinet Ministerial Committee on Economic Strategy.

After some discussion, the meeting agreed the attached conclusions. Your Secretary of State said that he would put these to Sir Kenneth Cork.

I am copying this to the Private Secretaries to the members of E(EA), to Richard Hatfield (Cabinet Office), and to Gerry Spence (CPRS).

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CONCLUSIONS

- A. E(EA) did not endorse the proposal by Sir Kenneth Cork that the Government should be prepared to accept his formula for dealing with the Department of Commerce's loan of £20.9 million, and the cost of meeting the called guarantee of £10 million;
- B. Did not agree that the Government should underwrite Hill Samuel's fee to the sum of not more than £100,000; but
- C. Did agree that it was for the Receiver to decide when De Lorean Motor Cars Limited should be put into liquidation.

The Prime Minister said she was not prepared to overturn these decisions. Accordingly:

- D. No specific permission should be given to the Receiver to act outside his powers, or beyond his view of his authority; and
- E. The Receiver would naturally remain free to act within his powers, or within his view of his authority, including the terms of the indemnity previously given by the Department of Commerce for Northern Ireland.

Anything going beyond this would have to be referred to the Cabinet Ministerial Committee on Economic Strategy.

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