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PRIME MINISTER

BRITISH LEYLAND

You asked for the evidence that E(A) knew of the management interest in buying-out Land Rover and Freight Rover when the decision was taken to support Salton.

The letter from Andrews was dated 22 January. It was received here on 23 January and sent by me that day to the DTI, Treasury and Cabinet Office. I asked DTI to take it into account in their paper for E(A) if that had not been finished.

The paper for E(A) (Flag A) was circulated on 23 January and did not mention the Andrews letter. But a management buy-out is mentioned twice, in paragraph 5(d) and paragraph 17. Paragraph 17 says:

"The management of those operating companies would themselves favour this option [management buy-out] but the BL Board decided in December that this option should not be pursued in view of the Salton talks."

The Andrews letter is not mentioned in the minutes of the E(A) meeting which took place on 28 January (Flag B). One of the Secretaries (John Wiggins) has a record in his notebook that you referred to it in your opening remarks. I remember that there was some puzzlement around the table at this point. I also remember that the letter was referred to again more fully later in the meeting by Mr. Channon. This is not recorded in the Cabinet Office notebooks.

The Andrews letter is not recorded as having been mentioned at Cabinet on 6 February. Nor is it recorded as having been mentioned at the E(A) which followed Cabinet on 6 February (Flag C).

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The possibility of a management buy-out was mentioned by Mr. Channon at Cabinet on 13 February. He is recorded as having said:

"There was also a possibility of a management buy-out of Land Rover. He did not think that these offers could be ignored, even though they were late in the day."

This is I think the only reference to a management buy-out in any of the minutes. But the reference in the E(A) paper for 23 January is itself an ample basis for your comments at Misc 126 yesterday.

DKW

DN

28 February 1986