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From the Private Secretary

4 March 1986

Dear Malcolm,

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Mr. Gilroy Bevan MP, with Sir Reginald Eyre, Mr. Roger King, Mr. John Taylor and Mr. Anthony Beaumont-Dark, came to see the Prime Minister this afternoon about the proposal to sell Land Rover Leyland. Mr. Morrison was present for the early part of the discussion.

All five MPs expressed their strong concern about the possibility that Land Rover and Freight Rover might be sold to General Motors. They reported the strong opposition of Conservative supporters and more generally within their constituencies. None of the MPs was opposed on principle to a sale. However they argued that to sell to General Motors would create major political difficulties. Particular concerns were expressed about the effect on component suppliers, and Mr. Gilroy Bevan argued that amalgamation of Freight Rover with the Bedford Vans business would open the way to increased imports of Japanese products as surplus dealers switched away from the amalgamated company.

In place of a sale to General Motors, the MPs urged a management buy out of Land Rover and Freight Rover. They said the management would expect to pay the financing costs of the buy out by increased output which would be achievable within present capacity. The management expected that within a few years they would be able to seek a flotation to increase the capital available to the business. The MPs recognised that this would probably be very profitable for the management.

The MPs argued that General Motors should be encouraged to take a minority holding in Leyland Vehicles, along the lines of the joint ventures which General Motors already had with Hughes Tools, UDS and Isuzu. Mr. Beaumont-Dark and Mr. Gilroy Bevan asserted their belief that General Motors would be prepared to buy Leyland Vehicles without Land Rover and Freight Rover. (Mr. Gilroy Bevan based this belief on his discussions with Mr. Bob Price of General Motors.)

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There were some differences between those present. Mr. Beaumont-Dark believed that the commercial arguments were in favour of accepting the General Motors bid: his opposition was based on fears about the political effects. Sir Reginald Eyre seemed to favour a joint venture with General Motors for Land Rover and Freight Rover, as well as Leyland Vehicles, if a management buy out did not in the end prove possible. Mr. Gilroy Bevan appeared to back the management buy out only provided that it would be followed by a flotation.

I am sending copies of this letter to the Private Secretaries to members of MISC 126 and to Michael Stark (Cabinet Office).

Y
John
David

(David Norgrove)

Malcolm McHardy, Esq.,
Department of Trade and Industry.

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