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MR TURNBULL

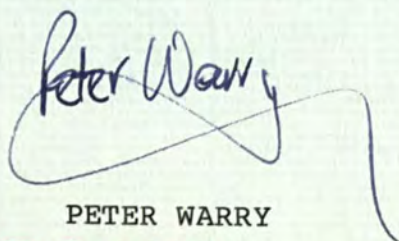
14 May 1985

PRIVATISATION - LAND ROVER LEYLAND

DTI believe the GM negotiations are proceeding satisfactorily and anticipate that by the end of the month GM should have a fair idea of the sort of restructuring they want, and therefore whether they wish to proceed to full commercial negotiations. Their interest in Land Rover and Leyland Trucks seems strong, but is less so for Leyland Bus and perhaps Freight Rover.

GM were originally expected to have made up their minds by the middle of this month; the DTI forecast for the end of the month may yet prove optimistic. Until GM have made their decision DTI are not considering alternative bids for the constituent businesses (despite Private Secretary letters from both the Prime Minister and the Financial Secretary two months ago requesting them to do so). There are a number of bids around - at least two for Land Rover, one for Leyland Bus, one for Ashok Leyland in India, and other bidders who have been turned away or would bid if they thought the businesses were genuinely for sale. Meanwhile, GM appear to be continuing their discussions with MAN, DAF, ENASA (and Seddon Atkinson) to name the few we know.

Clearly, nothing must be done to frighten off GM or to make them believe that the Government is dealing behind their backs. But they have been given a good clear run and it is time that others were allowed in - both to keep GM honest, and to act as a fall-back should they only want some of the businesses, or indeed drop out altogether. Proper negotiations should start with all other interested parties as from 1 June.



PETER WARRY

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