



10 DOWNING STREET

Prime Minister

The key issue is how much
pressure can be brought to bear
on GM to come to a decision.

Peter Wainwright suggests setting a date
after which other bidders would be
approached.

Peter would like to attend the
meeting but given Mr Tebbit's
extremely sensitivity on anything
related to GL this may not be
wise.

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PRIME MINISTER

3 July 1985

LAND ROVER-LEYLAND PRIVATISATION

The Land Rover-Leyland (LR-L) privatisation story so far:

- Aug 1982 : 2 BL business groups to be sold by Aug '84
(so far only Jaguar has gone)
- 14 May 1984 : (AT to DTI) BL to produce a proper
privatisation study of LR-L within 3 months
- Summer 1984 : DTI initiates talks with GM
- Sept 1984 : David Young asked to chase up progress
- 28 Nov 1984 : (AT to DTI) inquiring of progress on the
privatisation study
- 17 Dec 1984 : Privatisation study delivered concluding
nothing should be done before 1989
- 20 Dec 1984 : (DTI to AT) GM will respond by end-February
- 5 March 1985 : (DTI to AT) GM will now respond by mid-May
- 23 May 1985 : (meeting with NT) GM will now respond by
end-June

Norman Lamont has just returned from seeing GM in the States. GM remain enthusiastic and are interested in all the separate LR-L businesses except Leyland Bus. They have now decided to explore the commercial implications; this will take until the beginning of September when, if all goes well and there are no further slippages, GM will finally enter into purchase negotiations.

Leyland Bus
can be
sold separately.

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In the meantime all approaches to buy parts of LR-L remain shelved or rebuffed. This is despite Private Secretary letters from yourself and the Financial Secretary in March requesting that there should be concurrent negotiations with all interested parties, a view repeated on 24 May 1985. BL and DTI are dedicated to pursuing negotiations purely with GM even though GM themselves are known to be carrying on parallel negotiations in Europe with MAN, DAF, and ENASA

It seems highly improbable that GM will want to take a decision on LR-L until they have reached conclusions on their other European negotiations: the UK industry is dependent upon exports and cannot be examined in isolation from the wider scene. If GM do conclude a deal with one of the European companies then they could well lose interest in some or all of the LR-L businesses.

DTI will argue that that the GM negotiations are too delicate to permit other prospective bidders to be given a chance, and that the resulting confusion would give BL directors an opportunity to scuttle the negotiations. But further delay can only mean further losses and yet more prospective bidders losing interest. Unless we have alternative offers how are we going to keep GM honest, and if they make a bid what are we to compare it against?

Recommendations

There are risks whatever decision is taken, but the right course is to inform GM that, now they have had almost a year's head start, we are opening the bidding to all comers. Initial bids will be required by end August and detailed negotiations will take place during September with a final decision at the end of the month.

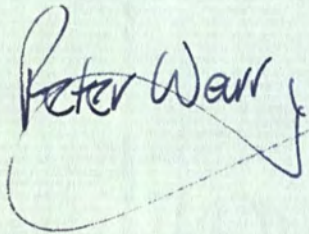
As the Government's objective is to dispose of as many of the hotch potch of separate LR-L businesses as possible, GM

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will be at a significant advantage if it bids for the majority of those businesses. But these are separate businesses and there will be no commercial logic to making a bid, eg for Leyland Trucks dependent upon one for Land Rover.

If an immediate opening of the bidding for all-comers cannot be agreed then, at the very least, it should be opened on 1st September; GM should be informed of this intention now.

A handwritten signature in dark ink that reads "Peter Warry". The signature is written in a cursive style with a large, sweeping flourish at the end.

PETER WARRY

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