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Secretary of State for Trade and Industry

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17 March 1986

David Norgrove Esq
 Private Secretary to the
 Prime Minister
 10 Downing Street
 LONDON
 SW1

Dear David,

BL

Since my Secretary of State saw the Prime Minister earlier today there have been a number of developments.

2 This afternoon my Secretary of State and the Chancellor of the Duchy met Mr Stempel. As a result of this discussion it was agreed that officials and representatives of GM and BL would meet overnight to take forward negotiations as urgently as possible. The basis of these negotiations - agreed in concept rather than with any legal precision - is that GM will take a substantial minority voting stake in Land Rover (probably 49 per cent) with UK financial institutions holding the balance of shares. Land Rover would have its own Board on which UK members would form a majority. Operational management would rest with GM.

3 Consideration is being given by officials to limiting the maximum percentage of shares to be held by individual UK investors and also to GM's views on when shares held by UK investors can be purchased by GM. GM have, however, noted that they will wish to see a reconsideration of the price so far negotiated for the purchase of Land Rover Leyland as a whole.

4 My Secretary of State has asked me to emphasize that these are difficult issues to resolve and that neither side is committed either in detail or in general to the principles noted above. Indeed, considerable technical difficulties remain

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and some hard negotiations on price will be necessary before the deal is in any shape to put to colleagues. It is also worth noting that GM is likely to take control of the company after an initial - at present undefined - period.

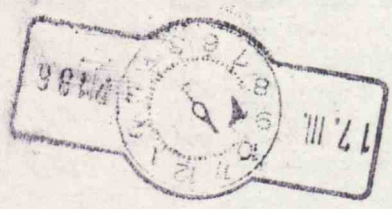
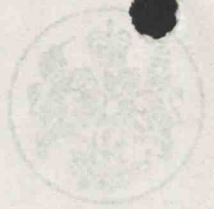
5 My Secretary of State intends to make a brief oral report to MISC 126 tomorrow. He does not, at this stage, think it wise to go into the detail of the discussions nor have I copied this letter to any other Minister.

Yours sincerely,

John Fogg.

J F MOGG
Private Secretary

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