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PRIME MINISTER

18 March 1986

LAND ROVER

I have had a report back from the GM negotiations today. Although GM are prepared to agree to the letter of the 51% British holding, they are not prepared to agree to the spirit in any politically acceptable sense and are demanding that even the 51% is limited to three years only.

Underlying the stand-off appear to be two issues:

1. GM will not be satisfied with having just de facto management control, but insist it also be legally enforceable; and
2. they want guaranteed 100% ownership of the company within a short period. (At one stage the possibility of total ownership being gained through the achievement of increased sales volumes was discussed but this now seems to have gone away.)

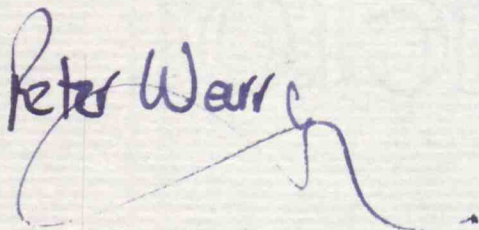
If indeed GM are not prepared to budge from this position, then the best proposal we have on offer is the original one worked out over the weekend. Although it will need improvements in presentation, it does actually address the key areas of concern - a British majority holding board to ensure:

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1. that major manufacturing operation will remain in Solihull [Land Rover jobs];
2. that the major R&D operation will remain in the UK [not a screw driver operation]; and
3. that the local content of Land Rover will be maintained [supply industry jobs].

We would strongly recommend that DTI should try and develop this original proposal further, before coming back to MISC 126.

A handwritten signature in blue ink that reads "Peter Warry". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

PETER WARRY