

SUBJECT cc MASTER

NOTE FOR THE RECORD

BL

The Prime Minister today held a meeting with the Lord President, the Chancellor of the Duchy of Lancaster, Secretary of State for Transport, Secretary of State for Trade and Industry and the Chief Whip to discuss the position on BL.

Mr. Channon explained that GM had reverted to their refusal to accept arrangements which did not give them full control of Land Rover within a specified period. Their merchant bank had at one stage tabled proposals which would have left a majority shareholding in BL with British financial institutions. But these had been withdrawn even as DTI were considering them. Mr. Channon was convinced that GM would not change their view.

The meeting agreed that a sale to GM was the best option on industrial and commercial grounds. But there were likely to be substantial political difficulties. Strong support from Cabinet would be needed to carry it through successfully.

It was agreed that DTI would negotiate hard with General Motors to win the maximum concessions within the framework of the original Salton deal, covering among other things an undertaking by GM about capital investment in Land Rover, about locating their European headquarters in the UK and if possible allowing for employee participation at least by Land Rover workers.

DTI would prepare a paper for circulation by the weekend which would discuss the options in stark terms, bringing out in particular the consequences of a rejection of GM. DTI should also prepare a paper which could be published or drawn upon in the event that the Government decided to accept the GM deal.

DRW

David Norgrove19 March 1986