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c: Mr Wicks ✓

1. LORD PRESIDENT
2. PRIME MINISTER

BRITISH LEYLAND - PRESENTATION

This note sets out the position as I see it from a presentational point of view.

The media, having elevated Easter into the deadline for a decision on Trucks/Land-Rover, now believe things are coming to a head.

They believe the Prime Minister is in favour of the GM solution, even though I have emphasised the political problem which Land-Rover presents.

If there has been any movement in public opinion I believe it has been in favour of the GM solution. But attitudes seem well entrenched and I suspect that the reason the issue has gone relatively quiet is that the management buy-out "patriotic" faction believes it holds the winning cards.

[Just for the record: I personally am as convinced that the GM solution is correct, economically and commercially, as I am sure that, short - medium term, a management buy-out of Land-Rover is the easy route politically.]

It follows from this that the Government's remarkable recovery since the Westland affair, crowned this week by the Budget and fall in interest rates, would be set back by any decision to sell to GM. As a very minimum, this would send MPs back into their constituencies for Easter in an unhappy mood and would be a gift to the other parties in the Fulham by-election.

Presentationally there is therefore a case for postponing any GM takeover (and conclusion of negotiations) until after April 10 if GM is felt to be the only viable way forward.

CONFIDENTIAL

CONFIDENTIAL

2.

But that is only sustainable if negotiations can genuinely be spun out and a final decision postponed.

Missing the Easter deadline would cause presentational difficulties but I think this would be manageable.

It may, however, be concluded now that, whatever commercial advantage dictates, the GM route is politically impossible, either because:

- i. it is simply not possible to get it through Cabinet; or
- ii. it is possible to secure Cabinet approval only at very considerable cost verging on the unacceptable.

If it is not possible to kick the issue into touch until after Easter, and GM is simply not on whenever it is announced, we face an urgent presentational problem: namely the Prime Minister's authority.

Given that the media believe the Prime Minister is in favour of GM, it is crucial that she should be seen to be moving towards the management buy-out well in advance of any decision-taking Cabinet. It is at least possible to argue that such a line would do no damage to the Government's negotiating stance with GM.

The need for this is underlined by the fact that the Vickers management buy-out has been presented by some as a 23-1 defeat for the Prime Minister.

If it were agreed that early action is required, it would be possible to feed out a line for the weekend media which suggested that the management buy-out was being regarded with greater favour because it really looked to be all or

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CONFIDENTIAL

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nothing with GM. It is quite conceivable that the media would regard this as a negotiating ploy by the Government; if so, so much the better.

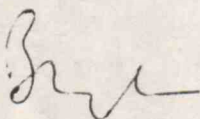
But it would only serve its real objective if the Prime Minister's name were associated with it. That would be achieved automatically if I were given authority to brief on these lines at the 4pm Lobby on Friday. The desired result would be achieved only if others in deep briefing were specifically to say they believed the Prime Minister's position was shifting.

Once the media got a hint of this, they would ask many more questions, such as:

- what about the management buy-out's financial backing; overseas marketing facilities?
- what about the future of trucks in Great Britain?
- is the Government reconciled to Dunstable closing? etc.

It would be possible to fend off these questions, but it would be important to have a clear line to take on them.

Finally, I should make the point that when any statement is made it would be generally helpful if as many loose ends were tied up as possible - ie BL Buses; Austin Rover's foreseeable future.



BERNARD INGHAM
20 March 1986

CONFIDENTIAL

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PRINCIPLES OF A DEAL WITH GENERAL MOTORS

1. General Motors to have no more than 49 per cent of the shares of Land Rover; the remaining 51 per cent, or more, to be held in British hands.
2. General Motors to have no contractual assurance of majority ownership, but arrangements to be made which would prevent any other company gaining majority control.
3. For four years new capital to be subscribed in the 49:51 proportion, in such a way that a majority would remain in British hands even if some existing shareholders did not wish to subscribe. Thereafter, GM to be offered first refusal if existing shareholders did not choose to subscribe to new capital.
4. Appropriate assurances to be given, as already discussed, about sourcing, location of production, etc., of Land Rover.
5. General Motors to have full management control of Land Rover.
6. Freight Rover and Leyland Vehicles to be owned 100 per cent by General Motors, with appropriate assurances particularly about the future of Freight Rover.

General Motors would also undertake, though not contractually, to present the deal in a very positive manner, indicating their intention to make substantial investments in the businesses and to make the UK the centre of their European operations.