

SECRET

Ed

hli

12



10 DOWNING STREET

From the Private Secretary

21 March 1986

Dear Rachel,

BL

As we discussed, I attach a copy of the principles of a deal with General Motors. These were considered by the Prime Minister yesterday evening. Mr. Channon has, I understand, revised them this morning and the revised version is to be discussed at 1530 this afternoon. I shall make sure that you get a copy of the revised version as soon as possible.

John

David

(David Norgrove)

Mrs. Rachel Lomax,
H.M. Treasury.

SECRET

JB

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.