

PRIME MINISTER

GM: LAND ROVER LEYLAND

Lord Whitelaw cannot be at your meeting this evening, but he has seen Mr. Channon's minute and Sir Austin Bide's letter.

Lord Whitelaw is attracted by the GM approach, but wary. He is very far from wanting to close the door on the proposals and finds it interesting that GM have come back so soon. Against this, he feels that the new approach is slightly premature and he certainly would not want the Government to jump at the first fly.

He is very clear that if any serious negotiations were to begin with GM it would have to be discussed first with the full Cabinet and the House would need to be informed.

The Lord President believes that the substance of the proposal still falls short of what the Government would need in order to carry the deal through.

His feeling is that the next step should be a discussion between a DTI official and Bankers Trust. Bankers Trust would be told that if there were to be any possibility of pursuing the proposal further it would have to be improved, and they would have to understand that the House of Commons would need to be informed of any serious discussions.

If this low level approach leaked, the House of Commons would be told that DTI had received a letter from Bankers Trust. An official had been sent to investigate what lay behind it. The official had said that the offer was not a good enough basis on which to open discussions and that if they were to start the House would be told and the discussions would be in the open. Lord Whitelaw believes that a statement of this kind would be a sufficient protection of the Government's position.

*DW*

DAVID NORGROVE

9 April 1986