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10 DOWNING STREET

10 April, 1986.

From the Private Secretary

Dear John,

BL:GM

The Prime Minister this afternoon discussed with your Secretary of State, the Lord President, the Chancellor of the Duchy, the Secretary of State for Transport and the Chief Whip your Secretary of State's minute of today about GM's further interest in the purchase of parts of Land Rover Leyland.

It was agreed that officials should talk further with GM. They should say that the fresh proposals GM had made for the purchase of Land Rover did not meet the criteria Mr. Channon had set out for the House on 25 March. Mr. Channon would not in their view be prepared to put to colleagues for their consideration proposals which failed to meet those criteria. Any further proposals by GM would have to meet the criteria in full. Officials should stress that Ministerial colleagues collectively had not at this stage been consulted, and there could be no guarantee that proposals which met the criteria would be preferred to the other options. Those options would include a decision not to sell Land Rover at all at this stage.

Officials could indicate the broad shape of a deal which would in their view meet the criteria. This would be along the lines of paragraph 8 of your Secretary of State's paper. There should, however, be no need for 4% of the shares to be placed in neutral hands if the Government held a golden share.

GM should be asked to offer the best possible assurances on the future of Freight Rover and its employees, recognising the great concern felt in the West Midlands about the future of this company.

Officials would need to reiterate the other assurances which would be required.

GM should be told that a very quick response was needed: BL would begin to consider the available options on Tuesday of next week, 15 April. GM's response would have to represent their final position. There was no scope for a

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negotiation.

GM should be told the line the Government would take if news of their further approach were to become public. (The line indicated in paragraph 13 of your Secretary of State's paper should accord entirely with his statement in the House on 25 March. Thus the second sentence should be changed to read:

"Officials reminded GM of the Secretary of State's Statement in the House (25 March) that, although fresh proposals from GM could be considered, GM's wish to have effective control from the outset, and the assurance of full ownership and control within a relatively short period was not acceptable".

A sentence should be added to say that a statement would be made to the House.)

GM should, finally, be urged to consider how they would present the deal if a revised bid from them were successful. A firm statement of their intention to make the UK the centre of their European commercial vehicle operations would certainly help the presentation. Their active support in the presentation of a deal would be essential.

John
David

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