

SECRET

18A

PRIME MINISTER

10 April 1986

GM AND LAND ROVER

Tuesday is the revised closing date for bids for Land Rover. Paul Channon will therefore have to make a statement to the House on Wednesday or, at the very latest, Thursday of next week. He cannot make such a statement and remain silent about putative discussions with GM.

Because time is very short, we will not be able to enter into extended discussions with GM, but will have to conclude a deal essentially in one single shot. This argues strongly for keeping our response to GM, and any proposed deal, very simple.

At the meeting you will need to decide firstly, if there were a sensible deal that met all the criteria, is it still politically viable within the time available? And if it is possible, then what sort of proposal should be put to GM? On this latter point, you will need to decide:

- i. whether GM should ever be allowed to gain a majority holding and, if so, when this should be allowed to occur, and if this date should be determined by the expiry of a golden share or through Land Rover achieving a pre-set volume of sales; and
- ii. whether GM should be allowed management control and, if so, whether this should be merely de facto or contractual.

We recommend that GM should be told that they would be allowed to take a minority stake in Land Rover, and that the Government would wish to protect the UK majority either by a golden share expiring in, say, 1992, or through the 62,000 sales target. Management control would be de facto, but so long as they held only a minority stake, management control could not be contractual.

PETER WARRY

*Peter Warry*