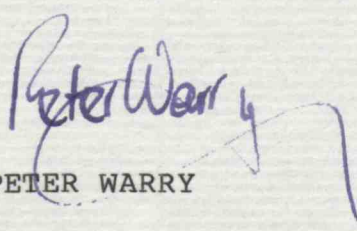


PRIME MINISTER22 April 1986BL

In taking a decision on the other bids for Land Rover the position of GM will need to be borne in mind. The management in Detroit are pressing Bedford for early decisions on their future. Whilst they are conscious that a deal with BL remains possible it is not their management style to hold off a decision indefinitely, and once such a decision is made, it is likely to prove irreversible whatever the economic logic.

Whenever discussions with GM are re-opened there will be cries of foul; the earlier the date the greater the shout. Even if such discussions followed the announcement of redundancies at Bedford and was in the context of what alternative options might be available, it would still be difficult. But delaying much beyond the end of May runs the risk that GM might take irreversible decisions. The discussions could also drag on into the summer recess, leaving the issue hanging over the country well into the pre-election party conference season.

We recommend re-opening discussions with GM in mid-May and that the other bids for Land Rover should be dismissed. If this timetable does not look possible then (most reluctantly) the arguments in favour of the management buy-out become rather stronger.

  
PETER WARRY