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Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

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SECRET

29 April 1986

David Norgrove Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

Prime Minister  
I asked for this just in case. Content with line proposed in the attachment? The precise words would need to be decided if and when there is a leak.

MS

Dear David,

GM: LAND ROVER-LEYLAND

In addition to the standard briefing on BL for Prime Minister's Questions this afternoon, you asked for a separate contingency line to take should it become public:-

- i that there were contacts involving GM following the 25 March Statement in which my Secretary of State announced the ending of the talks with GM;
- ii that following the approach from McKinsey, exploratory talks are in prospect about a possible deal involving Leyland Trucks/Freight Rover.

In relation to the post-25 March discussions through intermediaries, these could not fairly be described as formal talks with GM. The status of the Bankers' Trust intervention was always unclear and, although Morgan Guaranty clearly had GM's confidence and authority to speak to the Department, the proposals they floated with us were their own ideas on what GM might have been ready to go along with. We believe therefore that these exchanges could reasonably be described as a "clarification" exercise.

In terms of the current McKinsey proposal, we do not yet know the strength of GM's interest in re-opening talks confined to Leyland Trucks and Freight Rover. There are certainly no GM proposals

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before us. We believe therefore that the 'line to take' should be simply that the Government has indicated to GM a willingness for exploratory talks to take place on commercial vehicles (which we did directly with GM and through Morgan Guaranty on 14/15 April). I attach a suggested line to take covering both these issues should they become public knowledge.

*Yours sincerely,*

*C Bradley*

CATHERINE BRADLEY  
Private Secretary

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CONTINGENT STATEMENTS IN CASE OF LEAKS

CONTACTS POST 25 MARCH

There were informal contacts between GM's advisers and DTI officials to clarify the terms on which Government would be prepared to resume the talks. Officials referred to 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 of Land Rover from the outset and the assurance of full ownership and control within a relatively short period of time was not acceptable. Officials also said that special arrangements were necessary to safeguard UK interests including a measure of real UK control over the future of the Land Rover business.

No revised proposals were received from GM.

CURRENT POSITION

The Government has indicated to GM, in the context of their review at Bedford, that it would be content for exploratory discussions to take place with BL on the possibilities for collaboration in the field of commercial vehicles. No meetings for this purpose have yet been arranged.

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10 DOWNING STREET

*From the Private Secretary*

29 April 1986

GM: LAND ROVER-LEYLAND

Thank you for your letter of 29 April which set out contingency briefing on contacts with GM over Land Rover-Leyland. The Prime Minister has noted this, and it is reassuring to have it to hand.

DAVID NORGROVE

Miss Catherine Bradley,  
Department of Trade and Industry.

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