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PRIME MINISTER

20 May 1986

GM

In the absence of Peter Warry (who is on leave) I have been approached by a source close to GM with information relevant to today's meeting.

1. Against a background of a fall in the price of GM stock of 10-12% over the past 4 weeks, as well as the tax bill before Congress (which will affect US investment abroad by withdrawing tax concessions for investment) GM have been forced to rethink their corporate strategy and will not be coming forward with any further proposal to BL on commercial vehicles: GM ownership is not an option any more.
2. Detroit has insisted on a total embargo between GM executives and the DTI - they are also apparently terrified of any further public discussion of the matter.
3. The industrial logic for commercial vehicles remains rationalisation, with the result that GM are interested in selling Bedford. They are not interested in an even split, but could be interested in a minority stake.
4. A serious difference in timing is opening up between BL and GM. The latter face great pressure for the issue to

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be resolved in a matter of weeks, while Graham Day is
working on a longer time horizon.

Conclusion

The preferred course of action would be if Graham Day took the
initiative and sought the most preliminary and informal of
meetings with GM, without any involvement at this stage by the
DTI.

BG

BRIAN GRIFFITHS

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