PRIME MINISTER

De Lorean

The Ministerial Sub-Committee on Economic Affairs (E(EA)) was unable to reach agreement this morning on the future of De Lorean. The Secretary of State for Northern Ireland has asked that I should refer the matter to you for decision.

2. You will recall that the Secretary of State for Northern Ireland has proposed that De Lorean's Receivers, Sir Kenneth Cork and Mr Paul Shewell, should seek to negotiate the transfer of the company's assets to a British consortium, including some former De Lorean staff, who plan to produce each year about 3500 DMC-12 (the De Lorean model) and about 7500 of BL's discontinued TR 7/TR 8 model. The consortium would make no cash payment for De Lorean's fixed assets though they would assume responsibility for Government loans of £20.9 million to De Lorean. The immediate costs to the Government would be up to £1.2 million to continue the Receivership for a further period; and the need to underwrite the fees of Hill Samuel (up to £100,000), whom the consortium have asked to raise £12 million to launch the project.

3. The majority view at E(EA) was that the Receivers should not be authorised to negotiate on the terms proposed by the Secretary of State for Northern Ireland and that De Lorean should be put into liquidation (at a precise time to be determined by the Receivers). It was felt that the chances of commercial success for the project were minimal; that the consortium's inability or unwillingness to pay Hill Samuel's fees showed little commitment to the project; and that there was a great risk of the Government's coming under pressure to provide further special assistance to a successor to De Lorean Motor Cars Limited: if Hill Samuel tried to raise private sector finance there would be demands for a contribution from public funds. The Chief Secretary was firmly of the view that it would be better for the Government to accept a liquidation, in which very little of the public money invested in De Lorean in the past would be repaid, than to run the risk of being obliged to provide further assistance in the hope that the project would be a success and yield some return on past investment. Most of those present took the view that liquidation should benefit the consortium by allowing them to

buy De Lorean's fixed assets unencumbered by charges of £20.9 million.

4. Your own initial view, as recorded in Mr Rickett's letter of 9 August, was also that De Lorean should go into liquidation.

5. The Secretary of State for Northern Ireland was unable to accept that De Lorean should go into liquidation. He pointed out that both Hill Samuel and Sir Kenneth Cork took the view that there is some chance of finding private sector finance to back the consortium's proposals; and argued that it was worth making a further effort to try and preserve jobs at De Lorean and at their suppliers (in Great Britain as well as in Northern Ireland). There would be a clear understanding that no special Government assistance would be made available; and some chance that the Government would get back part of its past investment. If the private sector did not regard the consortium's proposals as realistic the project would lapse through lack of financial support. The Government would have incurred some extra public expenditure; but would have been seen to try to keep De Lorean open. The Secretary of State warned that to let De Lorean go into liquidation now would be likely to cause great anger in Northern Ireland and almost certainly provoke violence directed against the De Lorean factory: the Northern Irish press have already carried reports of the consortium's interest.

6. The Secretary of State for Northern Ireland therefore asked that you should be given the opportunity to reconsider De Lorean; and suggested that you might wish to discuss the matter with those of us most concerned.

7. I am sending copies of this minute to members of E(EA), the Secretary of State for Northern Ireland, the Minister of State, Northern Ireland Office, the Minister of State, Department of Industry (Norman Lamont), John Sparrow and Sir Robert Armstrong.

P. J.

10 August 1982