



10 DOWNING STREET

THE PRIME MINISTER

14 February 1986

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*cc DT*  
*FLO*

*Dear Mr. Petersen.*

I want you to know of my regret that Ford's discussions with the Austin Rover Group could not be carried further.

The discussions have been broken off before a decision could be taken on the basis of full knowledge and analysis of the facts. However, once the existence of the discussions became the subject of public debate, the resulting speculation, uncertainty and public apprehension made this unavoidable. The studies and hence the uncertainty would necessarily have continued for some weeks, with damaging effects on Austin Rover and perhaps also on Ford.

Although the possibility of a sale of the Austin Rover Group to Ford will not be pursued, I want you to be in no doubt that the Government strongly supports the commitments you have made and continue to make to Britain. Paul Channon, the Secretary of State for Trade and Industry, has made this very clear to Bob Lutz and has emphasised it publicly on many occasions over the last few days.

I should like to add my own personal support for Ford's operations in Britain. I believe this country remains an excellent base for your company's operations and future investment.

*Yours sincerely*  
*Margaret Thatcher*

*JA*

Mr. Donald E. Petersen



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CONFIDENTIAL  
DEPARTMENT OF TRADE AND INDUSTRY  
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Secretary of State for Trade and Industry

CONFIDENTIAL

February 1986

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

Dear David,

FORD AND BL

As my Secretary of State told the Prime Minister last week, Mr Bob Lutz, the Chairman of Ford of Europe was informed on 6 February that the Government had decided that the possibility of the sale of Austin Rover to Ford should not be pursued. Mr Lutz was clearly most disappointed and frustrated. In his view Ford had to compete with the Japanese, notably Nissan, who were able to establish state-of-the-art UK facilities with flexible working practices under a single union agreement on a greenfield site. At the same time, in Ford's view, they were faced by a highly subsidised public sector company taking investment decisions with public funds which a private sector company would not approve.

Mr Lutz told my Secretary of State that Ford of Europe would now have to undertake a fundamental rethink of its product and facility strategy and that the future of its relatively high cost UK assembly plans in particular would come under close scrutiny.

My Secretary of State considers that we should try to mend any broken fences with Ford as soon as possible and at the highest level. As a first step he recommends that the Prime Minister should write personally to Mr Donald Petersen, the Chairman of Ford in Detroit. I attach a draft letter. Over the coming weeks my

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JF3ACC

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1986  
BOARD OF TRADE  
BICENTENARY





Ministers and officials here will of course continue to maintain close contacts with Ford of Europe and Ford of Britain.

I am copying this letter to Len Appleyard (FCO).

*Your sincerely,*

*John Flogg*

J F MOGG  
Private Secretary

Encl

JF3ACC



*Please type*

~~DRAFT~~ REPLY FOR THE PRIME MINISTER TO SEND TO:

Mr Donald E Petersen  
Chairman of the Board  
Ford Motor Company  
PO Box 1899  
Dearborn  
MICHIGAN 48121-1899  
United States of America

*VC4AFU*

I want you to know of my disappointment that the initiative Mr Bob Lutz took in proposing exploratory merger discussions with the Austin Rover Group cannot be carried further.

The British Government would have preferred to have seen these talks continue so that a decision in principle could have been taken on the basis of a considered analysis. However, once their existence became the subject of public debate, the resulting speculation, uncertainty and public apprehension meant that this was not possible. The studies and hence the uncertainty would inevitably have continued for some weeks and in the present political climate this would not have been in the best interests of either Austin Rover or Ford.

Although the possibility of a sale of the Austin Rover Group to Ford will not be pursued, I want you to be in no doubt that the Government strongly supports the undoubted commitments you have made and continue to make to the British economy. Paul Channon, the Secretary of State for Trade and Industry, has made this very clear to Bob Lutz and has emphasized it publicly on many occasions over the last few days.

JF3ACD



I should like to add my own personal support for Ford's operations in the United Kingdom. I hope <sup>I believe</sup> you will continue to ~~regard~~ <sup>view</sup> this country ~~as~~ <sup>as</sup> an excellent base for your company's future investment.

JF3ACD



