

PRIME MINISTER

BRITISH LEYLAND

Sir Robert Armstrong's brief for Cabinet tomorrow suggests that you will want to remind the Cabinet that E(A) has firmly endorsed the GM proposals.

The problem here is that if you show a closed mind to Cabinet about the other bids, that will quickly be transmitted to the outside world as a closed mind. Privately, it already seems likely that none of the other bids, singly or in combination, will meet the Government's objectives. But the Government will want itself seriously to consider them and to confirm to the House that it will seriously consider them.

I suggest your line tomorrow, in the light of Mr. Channon's report, might be:

"As the Secretary of State said, there have been a number of approaches about buying parts of Land Rover-Leyland. Not surprisingly, there have been ~~many~~ more for Land Rover than for Leyland Trucks. The BL Board and DTI will want to consider the serious bids seriously. The GM bid endorsed by E(A) remains the only one for both Land Rover and Leyland Trucks.

The tactics and handling of all this will also need to be considered very carefully, and I have set up a small group of Ministers closely concerned to review these. I am sure that the Cabinet would want the Secretary of State to keep Cabinet informed as all this goes forward week by week and there will be a full collective discussion before final decisions are taken."

David Wolfson is particularly concerned that the Government should be seen to consider all serious bids. He also believes that it would be wrong to over-emphasise the need for speed: after all, other bids are sometimes referred to the Monopolies

Commission for a six month study, and the Government would be criticised if GM takes over Leyland Trucks hastily on the grounds that this is necessary to protect the business, and then GM starts to close substantial parts of it.

David has also pointed out that Leyland Trucks represent only a little over one-quarter of Land Rover-Leyland in terms both of turnover and of employment. He argues that this makes it more difficult to refuse to sell Land Rover separately in order to be able to dispose of Leyland Trucks at the same time.

He may be putting in a separate note to you, in which he will no doubt express his concerns better than I can.

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David Norgrove

19 February 1986

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