

Prime Minister 2

DTI are replying, together  
with an earlier letter from  
Mr Andrews.

JKH  
10/3

Gainford  
Mill Lane  
Gerrards Cross  
Bucks  
SL9 8BA

3rd March 1986

R4/3

Dear Prime Minister,

I am writing to you on behalf of the Land Rover management group which has, through Schroder Ventures and with the support of four of the largest UK financial institutions, made an offer to acquire the Land Rover group of businesses.

Our initiative has attracted a good deal of public interest and we are now in a position to write to you about our intentions.

We have three primary aims in taking this initiative.

The first aim is to secure an independent future for the business, with control located in the UK.

The second aim is to secure sound financial backing for the future, so that it can succeed and prosper as an independent business.

The third aim is to give all employees in the business the opportunity to share in its success.

The time allowed to us to gather the necessary financial support in order to put forward an offer has been very short. We do not complain about that. Continuing uncertainty is damaging the business and an early decision is required on its future.

Nevertheless the readiness with which the major financial institutions have agreed to support the management buy-out is an indication of their confidence in the soundness of this proposal.

The shortness of time available does condition the format of the offer. We are advised that it is out of the question to organise a Jaguar style flotation at this time - though our objective, and that of the financial institutions backing us, is to achieve a Stock Exchange listing and flotation as quickly as possible. This will enable the British public, who have shown great support for us and confidence in Land Rover, to join with us in this business venture by subscribing further new capital to enable the business to develop and grow.

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The management will have a significant equity stake in the business and we have agreed with the financial institutions that all other employees should have the opportunity to contribute to the initial ordinary capital of the business. We do not want these employees individually to risk substantial sums in the business, but we do want them to have the opportunity of taking a stake in it with effect from the start. 10% of the ordinary capital has been set aside for this purpose.

Her Majesty's Government has asked for assurances about the future in respect of UK manufacture, UK and EEC content, exports, the development and maintenance of R and D facilities in the UK, the level of investment, rationalisation of products and facilities, employment prospects and product and market synergies. Our objective is to continue the business broadly in line with present plans. We believe this plan and the financing behind the offer provides the assurances required.

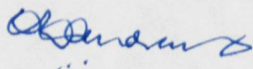
We should also add that we would wish to maintain close collaboration links with the Austin Rover Group - we are one of their biggest customers for engines and cars; with BL Technology - we are a major customer for the use of their technical facilities and services; and with Istel Ltd, BL's systems company - we are a major customer for their services. These are major benefits for Austin Rover and Istel which may not necessarily be available to the same degree from other potential purchasers of Land Rover.

We would also wish to maintain close collaborative links with Leyland Trucks, whoever its future owner may be, particularly in respect of UK and overseas franchising and distribution where both groups share many mutually beneficial interests.

In conclusion I should like to add my personal thanks to the BL board and to the Secretary of State for giving my colleagues and I the opportunity of making this offer.

It commands wide public support, it is supported by respected city institutions and it will, I believe, release in ways not possible from any other offer, the priceless capital of any business - the goodwill and motivation of all who work in it and for it.

Yours faithfully,



David R G Andrews



**LAND ROVER DEALER COUNCIL**

THE RT HON PAUL CHANNON, PC, MP  
 SECRETARY OF STATE FOR TRADE AND INDUSTRY  
 DEPARTMENT OF TRADE AND INDUSTRY  
 ROOM 803  
 1 - 19 VICTORIA STREET  
 LONDON SW1H 0ET

26th February 1986

Dear *Mr Channon*

May I thank you on behalf of all Land Rover Dealers for the opportunity to present our views today. All Dealers have been individually contacted and I can report my findings as follows.

It is felt that Land Rover should ideally remain a British Company and that it should not be part of the Leyland commercial vehicle package. Land Rover is a specialist, not commercial vehicle.

The Dealers prefer a management 'buy-out' for the short term thus enabling the proper considerations to be made for the early flotation on the stock exchange. In so doing enough capital can be raised to support model development. The Land Rover new plant already has the production capacity to increase volume.

Assurances are sought concerning the newly completed Franchise Plan and Agreement after nearly two years of negotiation. It is felt that implementation should not be changed from 1st May 1986.

Many dual franchised Dealers would find profitability difficult to achieve in the volume car market without the strength of Land Rover involvement.

A vote of confidence is offered in management at Land Rover who have succeeded in restoring the viability of the Franchise.

Their major achievements are:

- (a) Engineering development and reliability
- (b) Quality assured products
- (c) A much enhanced public relations image

Finally it is felt that the rapid expansion of production to meet unsure markets would not be wise. It would be better to develop and build a quality product revered for its durability which would sustain profit levels sufficient to maintain a viable and British product of fame and quality.

Yours sincerely

J M LIKE (Chairman)

