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① Sir Ewart (L&B) 430/1
② Miss Davis 28/1

E.R.
29/6/44
13/6

Mr Lander
Mr Daly

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- cc: PS/SofS (I&B) - M
- PS/Lord Gowrie (L&B) - M
- PS/Mr Butler (L&B) - M
- PS/Mr Woodfield (L&B) - M
- PS/Sir Ewart Bell - M
- Mr Bloomfield - M
- Dr Quigley - M
- Mr Marshall
- Mr Burns
- Mr Spence
- Mr Gilliland - M
- Miss Christopherson
- Mr Blelloch - M
- Mr J C Chalmers - M
- Mr R Wilson - M
- Mr Mais - M

MEETING WITH MR JOHN DE LOREAN - 27 JANUARY 1982

Present:

- Secretary of State
- Mr Butler
- Mr Bloomfield
- Mr Burns
- Mr Hopkins
- Miss Christopherson
- Mr Boys Smith

- Mr de Lorean
- Mr Lander
- Mr Daly
- Mr Baillie

Mr de Lorean called at his own request following the recent meetings of the DMC and DMCL Boards in New York.

Mr de Lorean said that there had been a disastrous collapse of the American car market in December and January. The problems for de Lorean had been compounded by the Company's loss of credibility and the growing belief that the UK Government would withdraw its support. Press reports had been largely responsible for these additional difficulties. Some three-quarters of de Lorean's dealers worked also for Ford or General Motors, both of which firms in the suddenly depressed market had declined to provide finance for the sale of de Lorean cars.

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In these circumstances de Lorean had been obliged to look elsewhere for funds, and had engaged in discussions with General Electric Credit and the Borg Warner Acceptance Corporation. The firm had received an offer of up to \$200m from Borg Warner which would be made available on certain conditions. Amongst those conditions were the financial restructuring of the Company and the pledge of Mr de Lorean's equity. He believed that the offer was a positive advance which would take his firm "off the hook completely". The restructuring Borg Warner would require involved the conversion of the Government's stake to future royalty payments; on this basis no additional Government funds would be placed at risk.

It was essential for the firm to re-establish its financial credibility and he hoped that the Government would be ready to take the initiative in publicly sponsoring a deal with Borg Warner; this would show that the Company and the Government were co-operating with each other and would help to restore confidence.

Mr de Lorean said he enthusiastically endorsed the idea of an independent review of the Company and its future. There were however problems in the proposal the Secretary of State had outlined to him on 21 January. By giving Sir Kenneth Cork effective control, the Company would be placed in default of its agreement with the Bank of America. Sir Kenneth had a considerable reputation as a receiver and it would be disastrous if he was known to be associated with an examination of the Company's affairs. His appointment could spell the end of the Company. The difficulty lay not in his reputation amongst the firm's creditors, but because potential customers in the United States would believe that bankruptcy was imminent and would therefore not wish to buy more cars. The same difficulty did not however arise with the appointment of Coopers Lybrand notwithstanding Sir Kenneth's association with the firm. Coopers Lybrand would be given full access to information and would be able to make enquiries of the staff and of dealers. De Lorean would accept the recommendations that the study made.

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Mr de Lorean and Mr Lander made the following further points:

- (i) They acknowledged that there were difficulties with their creditors, although there were prospects in the USA of finance of \$4½m. They had also been informed that the NIO would quickly meet part at least of their criminal damage claim for consequential loss. They believed that this might amount to some £7m.

- (ii) Leaving aside funds that might be received in respect of the criminal damage claim, the firm could continue to function on a cash trading basis for some three weeks. In that period it would complete the construction and testing of some 280 cars already in production and would build a further 41 cars for which it would require only limited additional materials. As the same time it would have to reduce its working to one shift. The Company had received Counsel's opinion that operating in this manner was within its legal responsibilities and that it was in order to purchase the supplies required for the 41 further cars.

The meeting resumed after a break.

The Secretary of State said that he believed an enquiry was essential and was glad that the firm agreed Coopers Lybrand should conduct it. He was convinced that the enquiry should be under the auspices of Sir Kenneth Cork, who whatever his experience with receivership, was well known for the commercial rescue operations he had undertaken. His appointment would be a distinct advantage to the firm because of his ability to give confidence to the creditors. The enquiry would have to cover both DMCL and DMC and the day-to-day operations would have to be conducted on a cash trading basis, which he noted the Company accepted. The firm should be managed during the enquiry in

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consultation with Coopers Lybrand, and over that period no cars should be shipped unless DMCL received the due payment. He understood that some vehicles had been shipped in contravention of the existing agreements, and he noted Mr Lander's acknowledgement of this fact. He was not ready at the present meeting to discuss Mr de Lorean's proposals for financial restructuring, including the possible deal with Borg Warner. These were matters which could be examined during the course of the review. He could not commit the Government in any way as to what would be done in the light of the review, although he was bound to say that on preliminary examination the kind of financial restructuring Mr de Lorean proposed looked unattractive.

In further discussion Mr de Lorean emphasised with vigour the difficulties the Company saw in Sir Kenneth Cork's public association with the enquiry in the way the Secretary of State suggested. He was not concerned with the creditors. But the attitude of potential customers in America was crucial to the whole of the firm's future. He had no personal antipathy to Sir Kenneth, but the appointment of a man well known as a receiver would wholly undermine future customer confidence and would destroy the Company. He would as soon close the Company now as have Sir Kenneth publicly involved in the enquiry. What was required, therefore, was an announcement which did not expose Sir Kenneth's involvement. He hoped it would be possible to reach agreement on this.

The Secretary of State drew attention again to Sir Kenneth Cork's high standing, his reputation as somebody who had rescued other companies in difficulty, and his ability to hold de Lorean's creditors at bay. He would have to insist on Sir Kenneth's involvement in the enquiry. That said, he noted the points Mr de Lorean had made and had no wish himself to do anything which would weaken the Company's prospects. It was not now proposed that Sir Kenneth should have operational control of the business as he had suggested at the meeting on 21 January. He wished to be helpful on this matter, and hoped it would be possible

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to formulate a statement building on the announcement the Government had already made in Parliament about an enquiry into de Lorean. The statement would need to refer to Sir Kenneth's association with Coopers Lybrand. The Government would also have to establish that it had not accepted any responsibility to the firm's creditors and that it was not offering further funds.

After a further break in the meeting and discussions in which Sir Kenneth Cork was involved, the attached statement was agreed with Mr de Lorean. The following further points were also agreed:

- (i) There would be a private exchange of letters between the Government and the firm on 28 January dealing with such matters as the need for the Company to trade on a cash basis and for assets to pass from DMCL to DMC only in return for cash or equivalent value. Mr Bloomfield and Mr Baillie would prepare the letters, and the de Lorean reply would be witnessed by Mr de Lorean for DMC and Mr Lander for DMCL.
- (ii) Neither side should comment on the statement to the Press or speak publicly in a way which would be detrimental to future sales of de Lorean cars.
- (iii) The enquiry should start as soon as possible and Sir Kenneth Cork would visit the firm in Belfast on 29 January.
- (iv) The Company would need to meet the trades unions very shortly and to issue a statement on redundancy and short time working. Mr Lander would consult the Department of Commerce and the Department of Manpower Services before meeting the unions and before making any public statement on these matters.

S. W. Boys Smith

S W BOYS SMITH
28 January 1982

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STATEMENT FOLLOWING TALKS ON 27 JANUARY 1982 BETWEEN SECRETARY OF STATE AND
JOHN DE LOREAN

As announced in Parliament on 19 January 1982 the Government is arranging for a major review of its overall relationship with the De Lorean companies, including representation on the boards of Directors, the way in which performance is monitored and, with the assistance of independent consultants an assessment of their performance to date and their future prospects. By mutual agreement between Government and the Directors of both companies this assessment, which will relate both to DMCL (the NI company) and DMC (the US parent) will be made by Coopers and Lybrand, to whom the directors have pledged to make available the fullest co-operation and information from both companies. Over the area of the review as a whole the Government has asked Sir Kenneth Cork to act as its special adviser.

It will be the intention of those involved to complete the review and assessment within 14 days. It must be made clear that Government has not committed itself to, or offered, any further financial assistance or comfort, to the De Lorean companies.

Mr De Lorean and his fellow directors have informed the Secretary of State for Northern Ireland that the affairs of DMCL are being and will be conducted in such a manner that they incur no credit which they will be unable to meet.

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