

E.R.

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cc: PS/SofS (B) - M Mr Marshall  
 PS/Mr Shaw (L&B)M Miss Kelley  
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THE SECRETARY OF STATE'S MEETING WITH MR JOHN DE LOREAN AND MR CAFIERO  
 - 9.15 AM ON 5 AUGUST 1980 AT HILLSBOROUGH CASTLE

The Secretary of State, who was accompanied by Mr Shaw and me, told Mr De Lorean that the purpose of the meeting was to tell him on a confidential basis of the Government's decision on the application by De Lorean Motor Cars Limited (DMC) for additional funds. The Secretary of State emphasised that because the decision was to be announced to Parliament at 2.30 on 6 August, it was essential that Mr De Lorean and Mr Cafiero should keep the information to themselves until then. They accepted this condition.

2. The Secretary of State explained that if the Government had been presented with a proposition such as that which had been put to their predecessors, they might have said no. A decision to continue funding the Company would provoke considerable political difficulties for them, but they had decided nevertheless that they must honour the agreement entered into by their predecessors. They would therefore lend, on reasonable commercial terms, the sum required to bring the car to its market launching. But the Secretary of State needed to know what the precise figure was. Mr De Lorean had mentioned £12 million in his application in January 1980.

3. Mr De Lorean explained that since the physical assets related to the production of the car were owned by the Government until the project reached the market, they had no assets to use as security for a loan. They therefore had to rely on Government finance. The equivalent at present day prices of the £12 million for which he had initially applied was £13.7 million.

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4. In further discussion it became apparent that £13.7 million would not, however, be sufficient to bring the car to the market: a total of some £20 million would be required for that purpose, and Mr De Lorean suggested that the difference between £13.7 million and £20 million should be available from NIDA in pursuance of a provisional agreement which he had reached with them at a time when it was thought that Oppenheimers were going to withdraw the funds under their control. When pressed on this point, however, Mr De Lorean confirmed that the agreement with NIDA for

additional financing of £8 million had never been completed, and he accepted that NIDA had no funds available for such a purpose. He was confident that the demonstration of the Government's commitment inherent in the loan of some £14 million would enable him to raise the additional £6 million or so from private sources. He was already in negotiation with a New York firm named Newcourt Securities, a subsidiary of the Rothschild's banking interests.

5. At the conclusion of the discussion, it was established clearly with Mr De Lorean that he expected to bring the car to the market in December 1980 or January 1981, and that this could be done with a £14 million loan from the Government leaving him to raise additional sums required elsewhere.

*R.A.H.*

R A HARRINGTON  
6 August 1980

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