

Public Record Office of Northern Ireland

CENT/3/103

PUBLIC RECORD OFFICE
OF NORTHERN IRELAND

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PSDED 417/84

CONFIDENTIAL

c.c Dr Quigley
Mr Tate
Mr Burns
Mr Hopkins
Mr Lyttle
Mr Coey

SIR EWART BELL

DE LOREAN

1. Your minute of 9 March 1984 to PUS (HCS/3/29) confirmed my role in co-ordinating work in preparation for the Government's response to issues expected to arise when the report of the CPA on De Lorean is published. This was to be based on the list of points prepared, after consultation with others, by John Murray. The initial timetable was that you would report progress by 28 March. With the extension of the CPA's work this deadline was progressively extended to 11 May.
2. I now attach a response on each of the points raised in the "Murray List". These observations represent a synthesis of the views of those who have a contribution to make at this stage. The main burden of drafting the material initially fell to DED, but a minority of questions on EG compensation the NIO. Thereafter, we tested our presentation against the personal knowledge of those who were deeply involved at earlier stages (in particular Messrs Lyttle and McCann) and amended the material to take account of their views and of further presentational and other points raised by DFP and NIO.
3. It is nevertheless necessary to emphasise that what we have here is in no sense a final document, but rather a "quarry" of relevant material from which, we would hope, the building blocks for any rapid response required may be drawn.

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TO: - J Z DE LOREAN, NEW YORK

FROM: - KEN BLOOMFIELD, BELFAST, DEPARTMENT OF COMMERCE, NI

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DELOREAN NYK

FEBRUARY 15, 1982

TO: MR. KEN BLOOMFIELD, D.O.C.-N.I.D.A.

FROM: MR. JOHN Z. DE LOREAN, DE LOREAN MOTOR COMPANY

CONFIRMING OUR PHONE CONVERSATION TODAY, I AM PERSONALLY PREPARED TO PUT DLR 5 MILLION INTO DMC IF IT WILL KEEP THE COMPANIES OPEN AND VIABLE SO THAT THE U.K. CREDITORS WILL RECEIVE MAXIMUM VALUE FOR THE CARS BOTH HERE AND IN THE U.K. AND THE CAR SETS OF COMPONENTS IN THE PLANT. IF DMC WERE TO GO INTO CHAPTER 11 IT IS ESTIMATED THAT THE VALUE OF THE CARS WILL DECREASE BY 60 PER CENT.

JOHN Z. DE LOREAN

CC: ROBIN BAILIE, ESQ.
DONALD H. LANDER
SIR KENNETK CORK

cc. Wyll
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DELOREAN NYK

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TO:- J Z DE LOREAN, NEW YORK

FROM:- KEN P BLOOMFIELD, BELFAST, DEPARTMENT OF COMMERCE, NI

I UNDERSTAND THAT CONTRARY TO THE ARRANGEMENTS CONTEMPLATED IN MY LETTERS OF 19 AND 22 FEBRUARY LAST THE SUM OF 5M DOLLARS HAS NOT BEEN PAID INTO DMC. I AM TO REMIND YOU THAT UNTIL SUCH PAYMENT IS MADE IN ACCORDANCE WITH THE TERMS OF THE ABOVE LETTERS THE OBLIGATIONS OF DMC TO THE DEPARTMENT UNDER THE VARIOUS DOCUMENTS SET OUT THEREIN REMAIN EXTANT AND THE DEPARTMENT THEREFORE REGARDS ITSELF AS FREE AT ANY TIME TO INVOKE ITS RIGHTS THEREUNDER IN ACCORDANCE WITH THE TERMS THEREOF.

747025 DEPCOM G

SENT 9 MARCH 1982 1710 HOURS

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Mr. Hill can ~*

REPEATING MESSAGE FIRST ONE GARRABLED

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747025 DEPCOM G

TO:- JOHN Z DE LOREAN, DMC, NEW YORK

CC SIR KENNETH CORK, C/O MR MICHAEL COOK

FROM:- K P BLOOMFIELD, DEPT OF COMMERCE, BELFAST, NI

YOUR TELEX OF 9 MARCH DESCRIBES A PURPORTED TRANSACTION INVOLVING
A BULK SALE OF CARS IN THE UNITED STATES.

RAISING MONEY BY THE SALE OF CARS NOT PAID FOR BY DMC DOES
NOT COMPLY WITH THE TERMS OF MY LETTER OF 22 FEBRUARY, STRESSING
AS IT DOES THE IMPORTANCE OF DMC FULFILLING ITS OBLIGATIONS
TO DMCL, AND IN PARTICULAR THOSE RELATING TO CARS SHIPPED FROM
DUNMURRY K AND NOT PAID FOR.

THE DEPARTMENT IS NOT PREPARED TO RELEASE DMC FROM ANY OF ITS
OBLIGATIONS IN THESE CIRCUMSTANCES.

ENDS++++

747025 DEPCOM G

SENT 10 MARCH 1982 1715 HOURS
DELOREAN NYK

Mr Bloomfield

(1) Mr. Bell

(2) C/1

NORTHERN IRELAND OFFICE

GREAT GEORGE STREET,

V

VIA WUI

1652 03/09

747025 DEPCOM G

DELOREAN NYK

MARCH 9, 1982

TO: KENNETH BLOOMFIELD
DOC

FROM: JOHN Z. DE LOREAN
DMC

DEPT. OF COMMERCE

10 MAR 1982

RECEIVED IN
PRIVATE OFFICE

INCOMING

TELEX

I HAVE FORMED A JOINT VENTURE PARTNERSHIP THAT HAS MADE AVAILABLE TO DMC 24 MILLION DOLLARS TO BE USED TO PAY OFF THE BANK OF AMERICA AND OUR TRADE CREDITORS. THIS FINANCING IS IN THE FORM OF A LOAN SECURED BY THE PRODUCT ON THE GROUND HERE VIA THE LEGAL MECHANISM OF A BULK SALE TO PURIFY AND ASSURE CLEAR TITLE.

THE CONTRACTS HAVE BEEN SIGNED AND THE FUNDS MADE AVAILABLE, THE RECIVER GIVEN COPIES AND THE BANK OF AMERICA HAS BEEN NOTIFIED AND HAS AGREED TO PERMIT THE BULK SALE.

I HAVE STIPULATED IN REGARD TO MY PART IN THE PARTNERSHIP TO RETURN ANY PROFITS I EARN BEYOND THE ACTUAL COST OF THE MONEY TO DMC IMMEDIATELY.

THIS FULFILLS COMPLETELY MY OBLIGATION TO PROVIDE OR CAUSE TO BE PROVIDED AT LEAST 5 MILLION DOLLARS TO DMC IN EXCHANGE FOR THE GOVERNMENT'S FORGIVENESS OF OUR GUARANTEES.

IN RETROSPECT, THE GOVERNMENT'S DECISION TO PUT DMCL INTO RECEIVERSHIP WAS A POOR ONE. THE DEVASTATION TO THE MARKETPLACE AND OUR DEALER ORGANIZATION HAS BEEN HORRENDOUS. IF WE SURVIVE,

THE COST TO RESTORE PUBLIC AND DEALER CONFIDENCE WILL BE FAR HIGHER BOTH TO DMC AND THE GOVERNMENT THAN WAS THE MODEST COST OF CONTINUING ON THE ONGOING BASIS.

WISH US LUCK - WE NEED IT.

REGARDS,

JOHN Z. DE LOREAN

CC: SIR KENNETH CORK
T. W. KIMMERLY

747025 DEPCOM G.....

VIA WUI

VIA WUI

1717 03/09

747025 DEPCOM G

**Northern
Ireland
Development
Agency**



Maryfield
100 Belfast Road
Holywood
Co. Down BT18 9QX
N. Ireland
Telephone Holywood (02317) 4232
Telex 747172

DCF/AH

21 August 1978.

J. D. Concannon, Esq.,
The Minister of State,
Department of Commerce,
Chichester House,
64 Chichester Street,
BELFAST, BT1 4JX

Dear Mr. Concannon,

Thank you for your letter of 16th August. We entirely agree with your comments and are most enthusiastic that the De Lorean project should be a success.

We have had discussions with the company on the question of a realistic monitoring plan and you can rest assured that this will be taken forward with great care.

The various criticisms that have appeared in the press have, I think, been handled sensibly and to quite a sufficient extent. The main thing remaining now is to see some practical results on the ground and, as you so rightly say, the real answer to any criticism will be cars rolling off the production line at the projected rate and by the proper date.

Yours sincerely,

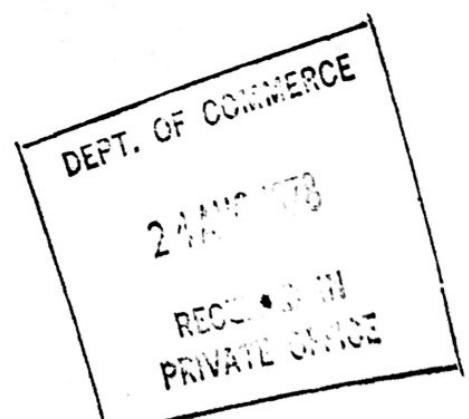
D. C. FAULKNER

cc PS nos Btr

Secretary

Mr Lytle

Mr Mc Bane



FROM THE MINISTER OF STATE:



DEPARTMENT
OF COMMERCE
64 CHICHESTER STREET
BELFAST BT1 4JX

D C Faulkner Esq
Chairman
Northern Ireland Development Agency
Maryfield
100 Belfast Road
HOLLYWOOD
Co Down
BT13 9QX

16 August 1978

Dear Dennis

I am sure you would agree that, now that the De Lorean investment has been secured, it is essential that everything possible should be done to ensure its success.

Editorials and features such as those in the Guardian, Daily Telegraph, Economist and Engineering Today have been busily "second guessing" the decision. Whilst it is reassuring that the points to which they have drawn attention were fully considered in the company's Business Plan and the discussions which took place on it, I see no merit in seeking to "defend" the decision by refuting these points in detail. To do so would merely fuel what at this stage must of necessity be a sterile debate. It is highly improbable that the critics will shift their stance. They will only be convinced by success - and that will only be demonstrated when cars of proper quality are rolling off the production line in adequate quantity and are being sold commercially at a competitive price. Between now and then it is a matter of all concerned getting on with the job and proving the critics mistaken.

The company's approach and performance to date suggest that it sets about matters in precisely this business like way - and this characteristic was, of course, a factor in the confidence which the project generated as time went on. Nonetheless it will be critically important that progress should be carefully monitored in terms of the Business Plan and the elaboration to which it will doubtless be subjected in coming weeks and months. I understand that the Agency is assuming responsibility for this vital monitoring process and it seems to me appropriate that it should do so. It will be for the Agency to determine what kind of monitoring is most apt for the purpose. I think we have all learnt by bitter experience not only that written reports are by themselves inadequate but also that it is best to proceed on the pessimistic assumption that shortfall on target tends to increase unless timely corrective action is initiated.

It will obviously be important, in view of the very substantial total public sector contribution to the project, that there should be very close and regular liaison between the Agency and the Department on the results of the monitoring process, so that I can be alerted well ahead of the event to any likely divergence from programme or planned performance. I am asking my officials to discuss with yours how this can best be achieved. Mr McCann will be our focal point on the project.

Yours sincerely
J D McCann

J D MCCANNON

**Northern
Ireland
Development
Agency**



Maryfield
100 Belfast Road
Holywood
Co. Down BT18 9QX
N. Ireland
Telephone Holywood (02317) 4232
Telex 747172

DCF/AH

21 August 1978.

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Yours sincerely,

D. C. FAULKNER

cc PS to S Bte

Secretary

Mr Lytle

Mr McNamee



London copies by Mufax

Minister of State (Mr Butler)

cc PS/SOS (L&B)
PS/PUS (L&B)
Mr Bell
Mr Marshall
Mr Blelloch
Mr Quigley
Miss Kelley
Mr Spence
Mr Chalmers
Mr McCann
Mr Gilliland
Mr Nixon

DE LOREAN

1. At his request I called to see Mr Dennis Faulkner, Chairman of NIDA today. He handed to me the attached copies of letters dated 24 and 27 February from Mr John De Lorean which he had received on his return from holiday, and of his reply of 2 March to those letters.
2. He also told me that an article embodying the substance of Mr De Lorean's proposals had been published in today's Financial Times (although not in editions circulating in Northern Ireland). The Belfast Telegraph had already been in touch with NIDA about this article, but they were declining to comment.
3. Mr De Lorean's letters essentially return to the tack he was taking in his earlier letter of 11 February to you, which was laid on the table at the time when the Department was meeting Mr De Lorean in the discussions leading up to the Department's letter of 11 February sent to and formally confirmed by the Company. You specifically replied to Mr De Lorean's letter of 11 February on 23 February, stating in terms "I now regard the question of further special assistance as closed". The statement in the Financial Times article that "De Lorean still awaits Mr Butler's reply" is therefore wrong. (Incidentally, although the Financial Times article on the face of it refers only to De Lorean's correspondence with you, there is internal evidence to suggest that they have also seen his correspondence with Mr Faulkner.
4. Mr Faulkner and I agreed that, while what Mr De Lorean is proposing in this most recent correspondence is to some extent obscure, there can be no doubt that it is entirely contrary to the spirit of the agreement made through the Company's confirmation of the terms of the Department's letter of 11 February. Mr Faulkner's meeting with Mr De Lorean should, therefore, be solely for the purpose of clarification, but certainly not to hold out any shred of a suggestion of further assistance or alleviation of existing conditions. I left Mr Faulkner in no doubt that, as far as Government is concerned, this is out of the question.

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5. We also agreed that Mr De Lorean's further letters could represent either another attempt to screw more help out of Government, or part of a carefully prepared record to protect his own reputation in the event of the project failing.
6. On my return to the Department I took the following steps:
- 6.1 I asked Mr Chalmers to get in touch with Mr McCann, who is in Geneva for the European launching of the DMC, to ensure that he is made aware of the FT article, and that he pours cold water on any prospect of further assistance or alleviation of conditions in any contacts he has there with senior De Lorean personnel. He should also probe what other company has made this correspondence available to the Financial Times.
- 6.2 I told the Department's Press Officer that our line in response to press enquiries should be that no letter from Mr De Lorean to the Minister or the Department was at present outstanding, and that as far as Government were concerned its dealings with the Company rested firmly on the basis disclosed to the House of Commons on 12 February.
- 6.3 Having been approached by NIO (L) for defensive briefing material on the FT article requested by No 10, I spoke to them on the lines of the above, and added that Mr Faulkner had agreed to meet Mr De Lorean solely for the purpose of clarification.
7. I subsequently heard from Mr Faulkner that there is reason to believe that, in writing these letters to him, Mr De Lorean did not have the support of his Board or of certain other senior executives of the Company.

K P BLOOMFIELD

3 March 1981

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TO MR JOHN Z DE LOREAN
FROM ADAM BUTLER, PRIVATE OFFICE, DOC, BELFAST

THANK YOU FOR YOUR MARCH 6 TELEX. I CONFIRM THAT I AM UNABLE TO CONSIDER ANY VARIATION IN THE TERMS OF THE ASSISTANCE PROVIDED FOR THE DMC-12 CAR PROJECT. MY UNDERSTANDING BASED ON OUR CONVERSATION WAS THAT YOU WERE CONFIDENT THAT YOU WOULD HAVE NO DIFFICULTY IN SELLING ALL OF THE FIRST YEAR'S PRODUCTION AND ON THIS BASIS EMPLOYMENT AT DUNMURRY WOULD BUILD UP TO 1400 BY MID YEAR. THE PROVISION OF PUBLIC FUNDS FOR THIS PROJECT IS WIDELY RECOGNISED AS GENEROUS AND I AM GRATEFUL FOR YOUR WORDS IN ACKNOWLEDGING THE GOVERNMENT'S SUPPORT.
BEST WISHES FOR THE LAUNCH.

REFERENCE THE LAST PARAGRAPH OF YOUR TELEX, I SENT YOU A SHORT LETTER DATED 23 FEBRUARY IN THE TERMS REQUESTED. IF THIS HAS NOT ARRIVED MY OFFICE WILL BE PLEASED TO SEND YOU A COPY.

SINCERELY

ADAM BUTLER

ENDS++
747025 DEPCOM G

SENT 11.3.81 15.30 HRS++

DELOREAN NYK

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VIA WUI
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DELOKEAN NYKMARCH 6, 1981

MR. ADAM BUTLER
DEPARTMENT OF COMMERCE

DEAR MR. BUTLER:

I HAVE YOUR LETTER OF FEBRUARY 23, 1981. AM I CORRECT IN MY INTERPRETATION THAT OUR CONCEPT FOR LOWERING THE PRICE OF THE DE LOREAN AND, AS A CONSEQUENCE, INCREASING EMPLOYMENT IN WEST BELFAST BY EACH OF US, IN EFFECT, FORGIVING OUR "PROFIT" ON INVESTMENT, IS NOT ONE WHICH YOU WOULD CONSIDER AT THIS TIME?

AS YOU KNOW, WE ADVANCED THIS CONCEPT FOR DISCUSSION WITHIN THE FRAMEWORK OF A BUSINESS PROPOSITION WHICH HAD MERIT FOR BOTH PARTIES. FOR THE GOVERNMENT, IT WOULD INCREASE EMPLOYMENT= FOR DE LOREAN, IT WOULD LOWER THE PRICE OF THE FIRST CARS AND GIVE US A MORE RAPID PENETRATION OF THE MARKET. WE DID NOT CONSIDER THE PROPOSED MORATORIUM A REQUEST FOR ADDITIONAL ASSISTANCE, NOR AS A RESTRUCTURING OF OUR ORIGINAL PROGRAM. WE DID BELIEVE, HOWEVER, IT WOULD PROVIDE ADDITIONAL VIABILITY FOR THE SUCCESS OF OUR MUTUAL EFFORTS. THE FIRST YEARS OF A NEW VENTURE ARE ALWAYS THE MOST FRAGILE.

WE ALSO REGARDED THIS ARRANGEMENT AS A METHOD OF COMPENSATING FOR THE INCREASED STRENGTH OF STERLING WHICH WAS ABOUT DLR 1.80 WHEN WE CONCLUDED OUR INITIAL AGREEMENT. THE RESULTING IMPACT OF OUR PROPOSAL ON THE PRICE OF THE CAR WOULD CUT IN HALF THE RISE IN PRICE DUE TO THE STRENGTH OF STERLING.

I KNOW THAT OUR DISCUSSIONS SOMETIMES SEEM IN THE MEDIA TO BE CONTROVERSIES, BUT FOR US, THIS EXCHANGE OF IDEAS IS THE MANNER IN WHICH WE SHOULD ADVANCE THIS PROGRAM. AS YOU KNOW, WE CAN NEVER ADEQUATELY EXPRESS OUR THANKS TO YOUR GOVERNMENT FOR THEIR ASSISTANCE AND COOPERATION ON THIS PROJECT. TOGETHER, WE HAVE THE OPPORTUNITY TO DEMONSTRATE TO THE WORLD THE PRODUCTIVITY OF THE WORKFORCE IN NORTHERN IRELAND AND, IN SO DOING, CHANGE THE MISCONCEPTIONS WHICH EXIST ABOUT THE NATURE OF INDUSTRIAL DEVELOPMENT THERE.

RIGHT NOW, WE ARE ON THE THRESHOLD OF SUCCESS. WE WILL ANNOUNCE OUR PRICING WITHIN THE NEXT TEN DAYS. ONCE ANNOUNCED, THE DIE IS CAST. IT CANNOT EASILY BE MODIFIED.

ONE FINAL POINT, I WOULD APPRECIATE RECEIVING IN A SEPERATE LETTER ACKNOWLEDGING THE GOVERNMENT'S SATISFACTION WITH THE ADEQUACY AND FRANKNESS OF THE INFORMATION WE HAVE SUPPLIED. WE WILL CONTINUE TO SUPPLY THIS INFORMATION IN THE FUTURE.

THANK YOU, ONCE AGAIN, FOR YOUR COOPERATION AND ASSISTANCE.

SINCERELY,

XETEL

DNIW03M1

VIA WUI
747025 DEPCOM G
DELOREAN NYKMARCH 6, 1981

MR. ADAM BUTLER
DEPARTMENT OF COMMERCE

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SINCERELY,

JOHN Z. DE LOREAN

CONFIDENTIAL

c.c. Mr McCann

1. Mr. McCann
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PSC 215/81

6 May 1981

Mr D H Lander
Managing Director
De Lorean Motor Cars Limited
Dunmurry Industrial Estate
Dunmurry
CO ANTRIM BT17 9JJ

I was shocked and saddened to hear of the fire bomb attack on your company's premises early yesterday. I understand that in addition to losing office space some of your records have also been destroyed.

I hope that you will be able to restore your losses quickly and that this vicious attack will not have a serious impact on your vital production programmes. Frank McCann will be keeping me in touch with developments but if there is anything which you feel I can do to help please do not hesitate to let me know.

K P BLOOMFIELD

/EF

CONFIDENTIAL

PS/SOS(B)
PS/MR ALISON(L) M
PS/MR ALISON (B)
PS/PUS(L) M
PS/PUS(B)
MR BELL
DR QUIGLEY(DOF)
MR McALLISTER (DOF)
MR BURNS(NIO(L)) M
MR SPENCE (NIO(L)) M
MR BUXTON (NIO(B))
MR CHALMERS
MR McCANN

MINISTER OF STATE (MR BUTLER)

DE LOREAN

1. We have been considering urgently what to do about the impact of recent disorders upon the De Lorean production schedule, and in consequence upon the Company's cash forecasts.
2. As you know, the critical element here has been the need for the company to keep within the £10M line of credit from the Banks guaranteed by Government. We have been emphasising consistently and emphatically to the company that they could not expect any further assistance during the present phase of the project. This has been reflected in correspondence with 10 Downing Street and in replies in the House of Commons.
3. At a meeting in the Department which I chaired on 6 May, including representatives of the Department, NIDA and the company, Mr Lander of De Lorean told me that, up to the week-end of 2/3 May, he had been satisfied that the production of cars from the line and their clearance for shipment was compatible with the delivery of vehicles to the market, related to the next two shipments of vehicles to be made out of Belfast on or about 9 May (250 cars) and 29 May (325 cars).
4. To meet the necessary schedule, the company had to secure a steady acceleration of the pace of completion of the cars coming "off track" (ie through the production process for final checking, testing and clearance to "traffic"). In the week beginning Monday 27 April, and following the Easter holiday, the target pace of the line had been increased from 20 to 27 vehicles per day. Production had in the event fluctuated from day to day with 110 cars in all delivered "off track" on the 5 ordinary week days plus the week-end shifts. On each of Tuesday and Thursday the line had delivered 27 and 26 respectively. The intention at that stage was to continue the gearing up of production, to 32 the following week and to 37 the week after that. To meet the planned shipment of 250 on the following week-end, a production of 130 would have been necessary in the week beginning Monday 4 May. While one could not say

CONFIDENTIAL

that this was certain, it was by no means out of reach, having regard to the production of 110 in the post-holiday week.

5. In fact, on the night of Monday 4 May a mob bottled up in Twinbrook attacked the plant and did substantial damage to a range of temporary buildings, involving an extensive loss of personnel records and a somewhat less serious loss of production drawings. In the aftermath of this attack, the day shift on Tuesday 5 May began on a basis of 26% absenteeism. About 1.00 p.m. on that day workers were being urged by loudhailers to leave the plant and go into mourning for Sands. Somewhat later in the afternoon, leaflets began to appear in the factory calling on workers to leave at 3.30 p.m. and to attend a rally on Wednesday night. Rumour was rife, the workforce who had turned up were disturbed by anxious telephone calls from home and other disruptive influences, and absenteeism steadily mounted to about $33\frac{1}{3}\%$, at which stage serious production difficulties were being encountered (not least because absenteeism was not uniform in all aspects of the operation; it was, for example, particularly heavy in the body shop).
6. At that stage the management seriously considered closing down for the night shift, but rejected this course so as to be seen to support the majority of their workforce, who, in the face of considerable difficulties, had made the effort to turn up. Moreover, the company wanted to avoid taking any overt and unusual step which would draw attention to themselves. In the event, the night shift got under way on a basis of 12.5% absenteeism (remarkably good in the difficult circumstances), but the production result was disappointing because once again the plant came under attack at two different gates (and this time, it was felt, on a more deliberate basis), leading to apprehension and loss of momentum on the factory floor.
7. On Wednesday 6 May absenteeism at the start of the day shift was 10.8%. In the light of the existing situation, with the prospect of much more substantial absences (if not a complete shut down) on the following day for the Sands funeral, and having regard to the production "off the line" of only 15 cars on Tuesday, the management had had to decide whether to hold to the intention to bring the ship in for loading the following Tuesday.

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They took the judgement that this would not be realistic, and that they should cancel this shipment and aim instead at loading 350 cars on or about 30 May.

8. The decision to hold back the shipment has unavoidable cash flow consequences. In the week ending 22 May the company is expected to run over the £10M line of credit.
9. The length and depth of the need for further guaranteed credit depends upon the assumptions about whether the company will suffer further pressure from violence, intimidation etc or not; whether it will come under pressure from its creditors; and how long it will take after a return to normality to get back upon the ladder of accelerating production. We shall need to discuss these assumptions, and their estimated financial consequences, with you as a matter of urgency.
10. It will not be possible, in the nature of things, to show beyond doubt that the process of "missing the boat" (metaphorically and literally) was entirely due to the civil disorder affecting the company. What is absolutely clear is that, if we cannot act quickly to close an immediate cash gap, the company will shortly have to cease trading. I have therefore alerted PUS, Head of NICS, DOF and others to the problem so that we can, if you agree, feed a specific proposal rapidly into the system. My broad judgement is that, just as we could not have justified any further aid to the company in an ordinary commercial situation, so we could not justify allowing it to be closed down in these new circumstances, and to a very large degree as a consequence of the civil situation. I am fortified in this view by the impressive degree of loyalty to the company exhibited by the substantial majority of its work force in the face of considerable pressures.

with Government had been concluded. I reminded him that the total exposure of Government far exceeded the direct non/returnable assistance given to the company.

2. At our meeting on 16 December, Mr De Lorean was accompanied by Messrs Tom Kimmerly (a Director of DME and Mr De Lorean's legal adviser), Don Lander (Managing Director of DMCL and a Director of DMC), Joe Daly (Financial Director of DMCL and Acting Financial Controller for the Group) and Robin Baillie (legal adviser to DMCL). I was supported by Mr Hopkins of NIDA, Messrs Fell and McCann from the Department, and Mr Banham of McKinsey & Company (who are consultants to NIDA in relation to the monitoring of De Lorean's activities).
3. Mr De Lorean was (for him) in a relatively relaxed mood. (I think he only used his favourite word "asinine" once!) We covered three main areas:-
the future arrangements for monitoring the company's performance; the

-company's

COMMERCIAL IN CONFIDENCE

PSC 693/81

18 December 1981

Mr J Z De Lorean
De Lorean Motor Company
280 Park Avenue
New York
NY 10017
USA

I am sorry that I did not have an opportunity to have a private word with you during our meetings this week about the matters addressed in my letter to you dated 4 September 1981.

I am referring to the unresolved question of disposals of your shareholdings in Motor which will be translated into Holdings, if the proposed Public Offering goes ahead, as now scheduled, early in 1982.

I will not rehearse again the details of the potential difficulties which could arise if it were to appear in the future that you were reducing your personal interest in the operation. It does seem to me, however, that the reduction in the size and scope of the revised Offering increases the presentational difficulties.

I would be grateful for your comments on the proposal which we discussed and which I spelt out again in my earlier letter or any counter proposals which you feel might adequately dispose of the matter.

I was very glad to have the opportunity of such a useful discussion with you in Belfast. May you fulfil all your objectives for 1982.

K P BLOOMFIELD

/EF

VIA WUI
1537 01/08
747025 DEPCOM G
DELOREAN NYK
JANUARY 8, 1982

MR. K. BLOOMFIELD
DEPARTMENT OF COMMERCE
64 CHICHESTER STREET
BELFAST BT1 4JX
NORTHERN IRELAND

DEAR KEN:

AS YOU KNOW, OUR INVESTMENT BANKER, BACHE, HAS POSTPONED OUR STOCK OFFERING INDEFINITELY AND DISBANDED THE MARKETING SYNDICATE. THIS ACTION WAS PREDICATED ON THE CURRENT VERY POOR NEW ISSUES MARKET AND THE LACK OF STOCK SALES COMMITMENTS. BOTH OPCO AND BACHE REITERATED THAT WE MISSED THE "WINDOW IN TIME" THAT EXISTED DURING LAST JULY AND EARLY AUGUST DURING WHICH THE ISSUE WOULD HAVE SOLD OUT INSTANTLY= JUST AS THE OTHER 6.3 BILLION DOLLARS OF NEW U.S. ISSUES SOLD OUT. WE MISSED THAT BRIED "WINDOW IN TIME" BECAUSE NIDA AND DOC PROCRASTINATED SOME 10 WEEKS FROM JUNE 3 INTO AUGUST DEMANDING RIGHTS THAT FAR EXCEEDED THOSE GRANTED THEM UNDER OUR MASTER AGREEMENT. NIDA WAS WARNED MANY TIMES BY BOTH THE INVESTMENT BANKERS AND DMC THAT THEIR PROTRACTED NEGOTIATIONS AND DELAYS MIGHT FORCE US TO MISS THE "WINDOW IN TIME" AND THE OFFERING WOULD BE LOST. WE HOLD NIDA AND DOC ENTIRELY ACCOUNTABLE FOR THE FAILURE OF THIS OFFERING AND THE IMPACT OF THAT FAILURE ON THIS COMPANY. YOU HAVE MANY COMMUNICATIONS THAT DESCRIBE THE DIRE CONSEQUENCES OF MISSING THE "WINDOW IN TIME" AND THE POTENTIAL LIABILITIES. SHARES THAT WERE WORTH 250,000,000 DOLLARS LAST JULY MIGHT VERY WELL BE WORTHLESS IN A SHORT TIME AS A RESULT OF THE NIDA/DOC DELAYS. PERHAPS THE MOST TRAGIC ASPECT OF THIS SITUATION IS THAT MOST OF THE PARTIES TO THE NEGOTIATION WERE CONVINCED THAT NIDA'S PRIMARY INTEREST IN THE NEGOTIATION WAS NOT THE PROTECTION OF THE GOVERNMENT'S OR U.K. PUBLIC'S INTERESTS BUT THE DESIRE FOR THE GOVERNMENT AGENCIES TO LOOK GOOD IN PARLIAMENT AND THE NEWSPAPERS.

BEYOND THE DESTRUCTION OF THE OFFERING ITSELF, THERE ARE A NUMBER OF OTHER AREAS IN WHICH THE GOVERNMENT HAS EITHER NOT FULFILLED THEIR CONTRACTUAL OBLIGATIONS UNDER THE LETTER OF OFFER AND MASTER AGREEMENT, OR HAS EXERCISED ITS DISCRETIONARY POWERS IN A MANNER DISCRIMINATORY TO THIS COMPANY, THUS HAS DENIED DMC ASSISTANCE GIVEN ROUTINELY TO OTHERS AS A MATTER OF COURSE. THESE DENIED ENTITLEMENTS TOTAL SOME 47M POUNDS IN GRANTS AND 40M POUNDS IN EXPORT LOANS. I HAVE CONSISTENTLY URGED THE GOVERNMENT TO RECONSIDER THESE DECISIONS AND TO GIVE THE COMPANY THE FINANCIAL BACKING NECESSARY, NOT OUT OF ANY CONSIDERATION OF PERSONAL OR CORPORATE GAIN, BUT BECAUSE IT HAS ALWAYS BEEN CLEAR TO ME AND TO OUR EXPERIENCED SENIOR MANAGEMENT THAT IN THE CAPITAL INTENSIVE AUTOMOTIVE INDUSTRY THESE FUNDS ARE THE DIFFERENCE BETWEEN DMC CONTINUING TO GROW AS A SOLID, HEALTHY COMPETITOR OR BEING VULNERABLE AND FRAGILE. IN BRIEF:

1. AS PART OF OUR INVITATION TO COME TO NORTHERN IRELAND DMC WAS TOLD THAT THEY WOULD BE AUTOMATICALLY ENTITLED TO ECGO FINANCING. TODAY, AS NORTHERN IRELAND'S LARGEST EXPORTER AND THE U.K.'S 32ND LARGEST EXPORTER, WE'RE BEING FORCED TO CURTAIL PRODUCTION AND EMPLOYMENT FOR LACK OF ADEQUATE EXPORT FINANCING

NIDA WAS TO PROVIDE 8M POUNDS IN RETURN FOR DMC'S ROYALTY PAYMENTS TO NIDA AS A SUBSTITUTE FOR THE OPCO FINANCING. TODAY NIDA COLLECTS THE DMC ROYALTY BUT HAS NEVER PROVIDED THE 8M POUNDS. EITHER THE ROYALTY SHOULD END OR THE 8M POUNDS FUNDS PAID OVER TO DMC.

3. THE DMC LETTER OF OFFER PROVIDES FOR INFLATION "ASSISTANCE." THIS "ASSISTANCE" HAS BEEN GRANTED IN EVERY OTHER RECORDED INSTANCE IN RECENT NIDA/DOC HISTORY. OUR 14M POUNDS IN INFLATION "ASSISTANCE" IS NOT A GRANT BUT A LOAN WHOSE DEBT SERVICE JEOPARDIZES OUR SURVIVAL.

4. OUR OFFICE BLOCK AND VITAL RECORDS WERE DESTROYED DURING THE HUNGER STRIKER PERIOD. OUR LOSSES TOTAL 10M POUNDS. WHEN INVITED TO NORTHERN IRELAND WE WERE ASSURED THAT ANY "TROUBLES" DAMAGES WERE INSURED AND WOULD BE PAID IMMEDIATELY. WE NEED THE MONEY TODAY -- AND WE CANNOT AWAIT THE OUTCOME OF LENGTHY LEGAL PROCESSES.

5. SINCE THE END OF OUR MASTER AGREEMENT FUNDING WE HAVE SPENT ADDITIONAL CAPITAL WHICH ENTITLES US TO CAPITAL GRANTS OF 5M POUNDS= THIS HAS BEEN DENIED. ANY OTHER FIRM IN NORTHERN IRELAND WOULD HAVE BEEN PAID THESE CAPITAL GRANTS.

6. DMC CONTRACTED TO PROVIDE 1,500 JOBS WITHIN 5 YEARS= TODAY, WE ARE 1,250 PEOPLE AND 4 YEARS AHEAD OF SCHEDULE. AT THE SAME TIME WE GROSSLY UNDERESTIMATED THE MAGNITUDE OF THE TASK OF TRAINING PEOPLE TO BUILD A HIGHLY SOPHISTICATED, QUALITY AUTOMOBILE. SOME MEASURE OF THE EXCESS COSTS WE'VE ABSORBED AS A RESULT WOULD BE COVERED BY ALLOWING DMC THE SAME LEVEL OF TRAINING GRANTS THAT WERE ALLOWED FOR THE FIRST 1,500 PEOPLE FOR THE ADDITIONAL 1,250 PEOPLE NOW ON OUR ROLLS.

PERHAPS THE MOST SERIOUS PROBLEM WE FACE IS THE FACT THAT EVERYONE CONSIDERS US POLITICALLY POISONOUS AS A RESULT OF THE SMEAR CAMPAIGN LAUNCHED AGAINST US BY DISAFFECTED EMPLOYEES AND A BACKBENCH M.P. NONE OF THE ALLEGATIONS WOULD HAVE ANY PUBLIC CREDIBILITY EXCEPT THAT IT WAS ANNOUNCED THAT THE PRIME MINISTER HAD AUTHORIZED A "POLICE INVESTIGATION" OF THE ALLEGATIONS AGAINST THE COMPANY. WHILE THIS WAS DENIED BY THE SOLICITOR GENERAL SHORTLY THEREAFTER, THE DAMAGE WAS DONE -- PARTICULARLY IN THE U.S. WHERE OUR ORDER BACKLOG DROPPED BY 80 PERCENT ALMOST IMMEDIATELY -- FROM 32,000 UNITS ON ORDER TO LESS THAN 6,000. OUR ENTIRE MARKETING IMAGE HAS BEEN THE "ETHICAL

CAR." THE PRIME MINISTER'S ANNOUNCED "POLICE INVESTIGATION" DESTROYED THAT IMAGE. IN THE U.K., AS A RESULT OF THE SAME PUBLICITY, WE HAVE BECOME "POLITICALLY DANGEROUS"= AS A RESULT WE ARE NOT BEING GIVEN OUR DUE.

IN THE OVERVIEW WE CONTRACTED FOR A GRANT LEVEL OF 50 PERCENT. TODAY WE HAVE RECEIVED LESS THAN 35 PERCENT. IN ANY EVENT, TIME IS CRITICAL. OUR MASTER AGREEMENT CALLS FOR PARIS ARBITRATION OF SOME OF THESE ITMES. ALTHOUGH I WAS FORCED TO SIGN DISCLAIMERS UNDER THREAT OF CLOSING THE FACTORY AND PUTTING ALL OF OUR PEOPLE OUT OF WORK, WE DON'T THINK THE ARBITRATOR WILL UPHOLD THESE. WE SUGGEST THAT WE MUTUALLY AGREE TO SUBMIT ALL OF THESE DIFFERENCES TO ARBITRATION IMMEDIATELY WHILE THERE IS TIME TO SAVE THE COMPANY.

SINCERELY,

JOHN Z. DE LOREAN

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