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TO IMMEDIATE UKREP BRUSSELS TEL NO 1161 OF 31 JULY.

MY TEL NO 1159: THE DE LOREAN MOTOR COMPANY IN NORTHERN IRELAND.

1. THE FOLLOWING ARE FURTHER DETAILS OF THE DE LOREAN PROJECT AND GOVERNMENT FUNDS INVOLVED, DESCRIBED IN MIPT.

BACKGROUND.

2. UNEMPLOYMENT HAS CONTINUED TO RISE IN NORTHERN IRELAND IN RECENT MONTHS, REACHING 13.4 PER CENT DESPITE THE DOWNWARD TREND IN GREAT BRITAIN. CATHOLIC WEST BELFAST, WITH MALE UNEMPLOYMENT OF AROUND 35-40 PER CENT, IS AMONG THE WORST BLACKSPOTS, AND SECTARIAN DIVISIONS PREVENT WORKERS FROM VENTURING OUTSIDE THE AREA TO SEEK WORK ELSEWHERE. A CONVINCING SIGN THAT THE GOVERNMENT CAN OFFER JOBS AND HOPE TO THE AREA, AND THAT THERE IS NO DISCRIMINATION AGAINST CATHOLICS IN THE LOCATION OF EMPLOYMENT-CREATING INVESTMENT, WOULD BE A MAJOR BLOW AGAINST PIRA. THERE HAS BEEN VIRTUALLY NO NEW INWARD INVESTMENT TO THE AREA SINCE THE START OF THE TROUBLES: THE DE LOREAN PROJECT CONSTITUTES AN UNPRECEDENTED OPPORTUNITY.

THE PROJECT.

3. THERE HAD BEEN EXTENSIVE NEGOTIATIONS BETWEEN THE CHICAGO-BASED DE LOREAN MOTOR COMPANY AND THE INDUSTRIAL DEVELOPMENT AUTHORITIES OF BOTH PUERTO RICO AND THE IRISH REPUBLIC, BEFORE DE LOREAN BEGAN TO CONSIDER NORTHERN IRELAND AS A POSSIBLE LOCATION ON THE RECOMMENDATION OF HIS EX-COLLEAGUES IN GENERAL MOTORS, WHO RECENTLY ANNOUNCED A MAJOR NEW INVESTMENT IN A SEAT-BELT FACTORY IN EAST BELFAST. THE IRISH AUTHORITIES HAVE BEEN REPORTED IN THE PRESS AS SAYING THAT

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THEY DID NOT WANT TO CARRY NEGOTIATIONS FURTHER BECAUSE OF THE SCALE AND RISK OF THE REQUIRED GOVERNMENT SUPPORT. NEGOTIATIONS ON A LOCATION IN PUERTO RICO ARE HOWEVER FAR ADVANCED.

4. MR DE LOREAN IS A FORMER VICE PRESIDENT OF GENERAL MOTORS IN CHARGE OF THE CHEVROLET AND PONTIAC DIVISIONS, AND HE HAS ASSEMBLED A HIGHLY COMPETENT MANAGEMENT TEAM WITH EXTENSIVE EXPERIENCE OF THE US AUTOMOBILE INDUSTRY.

5. THE NEW SPORTS CAR WOULD AT FIRST BE AIMED AT THE MID-PERFORMANCE SECTOR OF THE US SPORTS CAR MARKET, IN WHICH THE MAIN CONTENDERS ARE CURRENTLY DATSUN (70,000 NEW REGISTRATIONS IN 1977), FIAT (13,000 REGISTRATIONS) AND, MORE RECENTLY, MAZDA. THIS SECTOR GREW FROM A TOTAL OF 70,000 NEW REGISTRATIONS IN 1976 TO AN ESTIMATED 110,500 IN 1978. THE US SPORTS CAR MARKET AS A WHOLE GREW FROM 211,000 IN 1976 TO AN ESTIMATED 292,000 IN 1978. THE COMPANY HOPES SUBSEQUENTLY TO SELL THE CAR IN OTHER MARKETS, INCLUDING CANADA AND THE EEC, WHERE THEY HAVE YET TO CARRY OUT MARKET RESEARCH.

PRIVATE FUNDS.

6. POUNDS STERLING 5 MILLION OF PRIVATE FUNDS HAVE ALREADY BEEN SPENT ON RESEARCH AND DEVELOPMENT, AND POUNDS STERLING 2 AND ONE HALF MILLION MORE IS CONFIDENTLY EXPECTED FROM POTENTIAL US DEALERS.

7. THE US INVESTMENT BANKERS, OPPENHEIMER AND CO. INC. HAD ARRANGED FOR POUNDS STERLING 9.8 MILLION OF PRIVATE FUNDS TO BE INVESTED IN THE PROJECT IN PUERTO RICO. THEY WERE UNWILLING TO MAKE THESE FUNDS AVAILABLE FOR THE PROJECT IN NORTHERN IRELAND WHILE THE PUERTO RICO OPTION REMAINED OPEN, BECAUSE OF THE TIME AND EFFORT INVOLVED IN ALTERING DOCUMENTATION AND IN PERSUADING INVESTORS TO ACCEPT THE ALLEGED RISKS OF INVESTING IN NORTHERN IRELAND. THERE IS HOWEVER A GOOD CHANCE THAT THESE FUNDS WILL BE TRANSFERRED TO THE NORTHERN IRELAND PROJECT WHEN THE PUERTO RICO OPTION IS CLOSED, AND THE COMPANY IS COMMITTED TO SEEKING THESE OR ALTERNATIVE PRIVATE FUNDS, WITH THE SUPPORT OF UK OFFICIALS, TO REPLACE SOME OF THE FUNDS PROVIDED BY THE NORTHERN IRELAND DEVELOPMENT AGENCY.

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PUBLIC FUNDS.

8. GOVERNMENT AID TO THE PROJECT, OUTLINED IN MIPT, WILL BE GIVEN BY THE NORTHERN IRELAND DEPARTMENT OF COMMERCE. POUNDS STERLING 5 MILLION OF THIS, OR POUNDS STERLING 2,500 OF THE POUNDS STERLING 17,700 COST PER JOB, WILL BE USED TO RECTIFY THE SHORTCOMINGS OF THE GOVERNMENT-OWNED SITE.

9. THE NORTHERN IRELAND DEVELOPMENT AGENCY (NIDA) HAS DISCRETION TO DECIDE THE TERMS AND VALUE OF ITS INVESTMENTS, SUBJECT TO APPROVAL FOR INVESTMENTS ABOVE A SPECIFIED LIMIT OF THE SECRETARY OF STATE FOR NORTHERN IRELAND. ITS PURPOSES DEFINED BY STATUTE ARE TO DEVELOP OR ASSIST THE ECONOMY, TO PROMOTE INDUSTRIAL EFFICIENCY, AND TO PROVIDE, MAINTAIN OR SAFEGUARD EMPLOYMENT. THE AGENCY IS REQUIRED AS ONE OF ITS DUTIES TO MAXIMIZE THE RETURN ON ITS INVESTMENTS, AND OPERATES ON A COMMERCIAL BASIS. THE RATE OF INTEREST ON THE NIDA LOAN OF POUNDS STERLING 7,923 MILLION IN THIS CASE WILL BE THE COST TO NIDA OF PROCURING THE FUNDS PLUS 1 AND ONE HALF PER CENT. NIDA'S EQUITY INVESTMENT OF POUNDS STERLING 17.757 MILLION WILL BRING A SUBSTANTIAL PROFIT IF THE COMPANY'S PERFORMANCE MATCHES ITS EXPECTATIONS.

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