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10 DOWNING STREET

THE PRIME MINISTER

27 October 1982

Dear Mr. Pelt,

Thank you for your letter of 29 September which you wrote on behalf of the De Lorean Suppliers Consortium. I am sorry that you have not received an earlier reply but I am sure you will appreciate that the situation has been extremely fluid.

You will be aware that De Lorean Motor Cars Limited was put into receivership on 19 February 1982 by the sole debenture holder - the then Department of Commerce for Northern Ireland - at the request of the company's Directors. In addition to various grants the Department had made two loans totalling £20.67m. to the company. These were secured by a first charge on the fixed assets of the company and a floating charge over all of the assets of the company. The Department had also provided guarantees in respect of £10m. of bank borrowings by the company and these were secured by a counter-indemnity provided by the De Lorean Motor Company registered in the USA. The Northern Ireland Development Agency subscribed £17.757m. for preference share capital in De Lorean Motor Cars Limited.

The Receiver's primary task was a recovery of the amounts secured by the debentures and their advice was that they should continue to trade for a limited time in order to explore whether a purchaser for the business as a going concern could be found.

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It was clear to them after examination that a sale on this basis would produce a greater return for the debenture holder than a sale of the assets on a piecemeal basis. Jim Prior accepted their advice and I understand that you have been keeping in close touch with the efforts of the Receivers to find a suitable purchaser and that the creditors, as a body, have supported them in their endeavours.

I do of course appreciate the position in which unsecured creditors of the company have been placed but I cannot agree that the Government should, in effect, subsidise their losses by diluting its position as a secured creditor. Although the previous administration agreed to the subscription for preference shares and the provision of substantial assistance, and my administration honoured the commitment to see the car through to its market launch, I am convinced that it would not be proper for the Government to avert the consequences attaching to what were normal commercial transactions between a private company and its suppliers.

Mr. Prior has made it clear that no further Government funds will be made available to rescue this project. While he and I would of course wish to see a new enterprise take over and re-create employment in Northern Ireland and in Great Britain, it would be for the new private investors to satisfy themselves that the funds which they would be injecting would be soundly invested. I am sure that investors of substantial funds would wish to investigate carefully the potential viability of the enterprise into which their funds were being injected before entering into any agreement with the Receivers.

Yours sincerely
Margaret Helton

J.A. Putt, Esq.

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COVERING:- **CONFIDENTIAL**
From: THE PRIVATE SECRETARY



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

Michael Scholar Esq
10 Downing Street
LONDON
SW1

26 October 1982

Dear Michael

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signature: original
return is on file.
26/10

Thank you for your letter of 10 October. I am sorry not to have provided a draft reply to John Putt sooner but the position was changing almost daily and we did not want to say something which would have been overtaken by the time Mr Putt received his letter! Although the situation is still a little fluid, I now attach a draft reply, together with a background note for your own information.

Yours sincerely
Mike Hopkins

M W HOPKINS

ssd

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BACKGROUND NOTEDE LOREAN: LETTER FROM MR PUTT

1 A response was delayed while the position on Mr De Lorean putting money into the Belfast firm remained so fluid. Mr Putt's point about the unwillingness of suppliers to cooperate with new investment in the Belfast firm was at least partly due to the involvement of Mr De Lorean himself. Mr Prior announced on 19 October that Mr De Lorean had failed to provide funds and he was arrested in the United States the following day. That Mr De Lorean is no longer in play as a potential investor makes it somewhat easier to answer the points of principle raised in Mr Putt's letter.

2 The letter is in essence a plan from the unsecured trade creditors of De Lorean for Government to allow some of the proceeds of the sale of the assets of the company to be distributed to them rather than the total proceeds being swallowed by Government in satisfaction of its secured claims.

3 The Government has steadfastly refused to concede on this point since the company was put into receivership because De Lorean is a private company. Although Government, through the Northern Ireland Development Agency, had subscribed a substantial amount of preference share capital, the holding of these shares did not, because of the way in which the voting rights attaching to them were determined, give the Government control of the company, or put it in a position of managing the company.

4 If Government were to concede that any amount which would normally come to it under its debenture should be made available to meet part of the company's debts to trade creditors it would create a precedent which would have wide and serious repercussions.

5 Mr Putt said in his letter that, if Government is not prepared to concede on this issue, any new company which might purchase the assets of the Northern Ireland De Lorean company would find itself without suppliers of components and materials. The Receivers are very sceptical about Mr Putt's ability to make that statement on

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behalf of the suppliers. Indeed, we understand that Mr Putt told the Receivers that his own company would be prepared to supply a new company in order to clear substantial stocks of components held.

6 In any event it would be a matter for the investors in the new company to satisfy themselves that supplies of necessary components, materials and parts would be available and on terms which would enable the new venture to be a viable entity.

7 The joint Receivers, Sir Kenneth Cork and Mr Paul Shewell, have been proceeding with the rundown of the operation at Dunmurry since the Secretary of State's announcement on 19 October. There have been a number of inquiries about the business, one of which is an offer from Consolidated International of Columbus Ohio. The up to date position on offers being discussed with the Receivers is being reported separately to the Prime Minister.

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DRAFT LETTER

FILE NUMBER.....

ADDRESSEE'S REFERENCE.....

| To | Enclosures | Copies to be sent to |
|---|------------|-------------------------------------|
| <p>J Putt Esq Managing Director Barrett Engineers Limited East Challow Wantage OXON OX12 9ET</p> <p>(Full Postal Address)</p> | | <p>(Full Address, if Necessary)</p> |

LETTER DRAFTED FOR SIGNATURE BY
(Name of Signatory)

DE LOREAN MOTOR CARS LIMITED (IN RECEIVERSHIP)

Thank you for your letter of 29 September which you wrote on behalf of the De Lorean Suppliers Consortium. I am sorry that you have not received an earlier reply but I am sure you will appreciate that the situation has been extremely fluid.

You will be aware that De Lorean Motor Cars Ltd was put into receivership on 19 February 1982 by the sole debenture holder - the then Department of Commerce for Northern Ireland - at the request of the company's Directors. In addition to various grants the Department had made two loans totalling £20.67m to the company. These were secured by a first charge on the fixed assets of the company and a floating charge over all of the assets of the company. The Department had also provided guarantees in respect of £10m of bank borrowings by the company and these were secured by a counter-indemnity provided by the De Lorean Motor Co, registered in the USA. The Northern Ireland Development Agency subscribed £17.757m for preference share capital in De Lorean Motors Cars Ltd.

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The Receiver's primary task was a recovery of the amounts secured by the debentures and their advice was that they should continue to trade for a limited time in order to explore whether a purchaser for the business as a going concern could be found. It was clear to them after examination that a sale on this basis would produce a greater return for the debenture holder than a sale of the assets on a piecemeal basis. Jim Prior accepted their advice and I understand that you have been keeping in close touch with the efforts of the Receivers to find a suitable purchaser and that the creditors, as a body, have supported them in their endeavours.

I do of course appreciate the position in which unsecured creditors of the company have been placed but I cannot agree that the Government should, in effect, subsidise their losses by diluting its position as a secured creditor. Although the previous Administration agreed to the subscription for preference shares and the provision of substantial assistance, and my Administration honoured the commitment to see the car through to its market launch, I am convinced that it would not be proper for the Government to avert the consequences attaching to what were normal commercial transactions between a private company and its suppliers.

Mr Prior has made it clear that no further Government funds will be made available to rescue this project. While he and I would of course wish to see a new enterprise take over and re-create employment in Northern Ireland and in Great Britain, it would be

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for the new private investors to satisfy themselves that the funds which they would be injecting would be soundly invested. I am sure that investors of substantial funds would wish to investigate carefully the potential viability of the enterprise into which their funds were being injected before entering into any agreement with the Receivers.

CONQUEROR

Ireland.

De Lorean

July 1980



10 DOWNING STREET

From the Private Secretary

1 October 1982

I am writing on behalf of the Prime Minister to acknowledge your letter of 29 September. This is receiving attention and you will be sent a reply as soon as possible.

M. C. SCHOLAR

J.A. Putt, Esq.

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② 25/10



J.A. PUTT.

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12/10

10 DOWNING STREET

From the Private Secretary

1 October 1982

I enclose a copy of a letter to the Prime Minister from Mr. J.A. Putt, the Managing Director of Barrett Engineers Limited.

I should be grateful if you could provide us with a draft reply for the Prime Minister's signature by 12 October.

M. C. SCHOLAR

John Lyon, Esq.,
Northern Ireland Office.

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BARRETT ENGINEERS LTD

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REGISTERED NO 541933 ENGLAND

DIRECTORS
A.W. PUTT CHAIRMAN
J.A. PUTT MANAGING
R.K. KIMBER WORKS
H. BISHOP COMPANY SECRETARY



REGISTERED OFFICE:

EAST CHALLOW
WANTAGE
OXON OX12 9SY

TELEPHONE: WANTAGE 3761-3762-3815-3816
TELEX NO. 83523

Our Ref: JAP/fb

The Prime Minister,
10, Downing Street,
LONDON.

29th September 1982

Dear Prime Minister,

Ref: De Lorean Motors in Receivership.

I am intrigued to comprehend your Government's thinking concerning the above Company. As I understand, from the Receivers, that you have decided that all proceeds from the impending sale of De Lorean Motors in Receivership, shall be retained by the Secured Creditors which is primarily the Government itself. This stance, if true, is a contradiction. Again as I understand things, Mr. James Prior, the Secretary of State, has throughout fought vigorously to protect De Lorean Motors from liquidation and has even visited the United States of America in an attempt to attract further investment in Northern Ireland. Therefore, apart from saying, quite rightly, that there would be "no more Government money for De Lorean", I must be correct in assuming that support from your Government exists for a private enterprise in the Province.

Now to explain the contradiction. Unless the debt which was incurred by De Lorean Motors to the Unsecured Creditors, of whom I represent more than four hundred National and International Companies, there will be a great reluctance to supply to any new Company and in some cases firm resolve not to supply. Through your insistence in maintaining your position, the Receiver would not be moral in selling a Company that did not have a supply network. This consequently would result in any prospective investor from withdrawing his offer until the Receiver could reasonably ensure that supply network. This would in the case of the current offer from Mr. John De Lorean result in a direct income loss to the Northern Ireland Development Agency of £12.5 million. Coupled with the obvious political and economic effect in Dunmurry, Northern Ireland and the Mainland itself at the inevitable liquidation that would proceed.

My alternative proposal has already been refused by your Treasury Committee I believe, but I do remind you of what I have come to evaluate as the fairest and only positive solution to this catastrophic affair. Mr. De Lorean will pay to Northern Ireland Development Agency, the amount already proposed, the plant is leased to him with Northern Ireland Development Agency as Landlords, and finally the stock of 1000 cars and "work in progress" will be set aside for the two bank guarantees totalling £10 million and the balance will be for the Unsecured Creditors. This proposal satisfies the following criteria.

Continued Overleaf ...

29th September 1982

The Prime Minister

- (1) The investment proposed by Mr. De Lorean proceeds, as a private enterprise.
- (2) The facility in Dunmurry re-opens and provides up to 1000 jobs in Northern Ireland and up to 2000 jobs on the Mainland.
- (3) That because any settlement that the Unsecured Creditors would receive would be generated from the sales of the stock of cars and the eventual completion of the "work in progress" into saleable cars it would encourage the full support of those Suppliers to the new Company that would be so important to its success.
- (4) Valuable exports would begin to flow from Ulster and if the car is to be sold in the United Kingdom it must surely prevent imports from Porsche and Mercedes etc.
- (5) Many small Companies who are the underlying backbone of Industry would be protected from impending liquidations. Also British Leyland, who rely on these small Companies, would not be faced with unreasonable price increases that have occurred or may occur to meet their rising costs, especially with interest rates still so high.

Finally, I would like to remind you of your Government's initial support for this project upon your election. That throughout the Companies operating period that Northern Ireland Development Agency representatives present on the De Lorean Board, failed to prevent the disastrous flood of lost money. Therefore, I believe that this loss should be divided for the sake of all of those persons involved, between all of the interested parties.

I have attempted on many occasions to share my thoughts and ideas with Mr. Prior but have been rebuffed despite my protestations. I have urged his office to investigate the ongoing viability of Mr. De Lorean's proposals and I am prepared together with the representatives of my Companies to oversee any future operation and ensure that this disaster does not occur again. We are prepared to work for a better life but not unlike any nation, it's Government must allow the seeds of our work to germinate.

Please try to respond to my request.

Yours sincerely,
Barrett Engineers Limited,

Jim Putt

J. A. Putt,
Managing Director. *and Co-Chairman of the De Lorean
Suppliers Consortium.*

c.c. Mr. James Prior, Secretary of State for Northern Ireland,
Mr. Tom Benyon M.P.