

From: THE PRIVATE SECRETARY

Mr Lores to see *M L*

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NORTHERN IRELAND OFFICE

GREAT GEORGE STREET,

LONDON SW1P 3AJ

IRELAND

29 October 1982



Michael Scholar Esq
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Prime Minister ⁽²⁾

MS 29/16

Dear Michael

DE LOREAN

Given the intense public interest in the developments in the De Lorean case, Mr Prior thought it would be appropriate to circulate a brief note to his colleagues outlining the current situation.

As is well known, the Joint Receivers, Sir Kenneth Cork and Mr Paul Shewell, had been negotiating for some time with a group of investors in the USA, under the banner of a newly incorporated shell company, DMC Inc, with which Mr De Lorean himself was associated, for the sale of the Northern Ireland manufacturing operation at Dunmurry as a going concern. The Receivers' efforts, however, were frustrated continually by the unfulfilled promises of DMC Inc to demonstrate their commitment by providing evidence of the availability of finance for the project. Finally, in agreement with the Secretary of State, the Receivers imposed a final deadline of 10.00 pm BST on 18 October 1982, by which time DMC Inc were required to lodge a sum of \$10m in a Bank account, which the Receivers could verify, or the Receivers would terminate their discussions with these investors. DMC Inc failed to meet the deadline, and in the absence of any other potential investors, the Receivers announced in the afternoon of 19 October 1982, again with Mr Prior's agreement, that they were proceeding to the final rundown of the Dunmurry plant.

Later the same day Mr De Lorean was arrested on drugs charges in Los Angeles, where he remains in custody.

Since then, the Receivers have been approached by a number of further interests, both in the UK and in the USA, about the possibilities either of purchasing the inventory of finished De Lorean cars still held in Belfast, or of acquiring all the assets of the De Lorean company in receivership including the cars. The Receivers have indicated to the Secretary of State that the most favourable option among those presently under consideration by them would involve an American company, Consolidated International of Columbus Ohio, which specialises in the purchase and sale of liquidated inventories, purchasing the 1,000+ cars in

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Belfast at a price of some \$12,500 per car, and at the same time taking an option, to which they would pledge a sum of some \$850,000, to acquire the remaining assets of the company within 45 days.

It is for the Receivers themselves to decide which option is likely to provide the best return for the debenture holder (HMG) and there is no decision for Government to take on the matter at present. If however, the Receivers conclude an agreement with Consolidated International or some other party, which gave that party the option to acquire the assets at Dunmurry, Government may be asked to agree to the Receivers sub-leasing the land and buildings to a new operator. If that occurs, Mr Prior would wish to consult colleagues again. He is assured by the Receivers that any agreement into which they might enter, will not commit Government in advance, to sub-leasing the premises.

One of the major creditors of the De Lorean Motor Co Ltd (DMCL), Renault (who supplied the engines for the car) sought, and were granted, a winding-up petition against the company in the High Court on 28 October 1982. The Court has fixed the date for a hearing in Chambers for the appointment of a liquidator, as 10 November 1982. We understand that this will have no material effect on the Receivers carrying out and completing their work on behalf of the debenture holder.

In the meantime, the American arm of the De Lorean operation, DMC, has filed for, and has been granted in the American Courts, an Order enabling the company to enter so-called Chapter 11 proceedings in the USA. This apparently involves the appointment of a Committee of Creditors who, jointly with the existing Board of Directors, consider whether it is possible to save the company through a financial re-construction; failing that, the company moves into bankruptcy, and the disposal of its assets is under the control of the creditors' committee, and the Courts. The Receivers of DMCL, and HMG, as major creditors of DMC, will have a major voice in the Committee of Creditors.

The Receivers have lodged a number of claims against DMC in respect of sums credited by DMCL and in respect of cars which were shipped to DMC in the USA and for which no payment was made, and they have also been instructed to lodge a claim on behalf of HMG for £10m, for which sum DMC provided a counter-indemnity, against the guarantee by HMG for a like sum, of repayment of commercial borrowings by DMCL, which was called, and paid, when the company went into receivership.

Mr Prior has asked the Receivers to let him have their final report in advance of the Public Accounts Committee hearing, which is set to begin on 22 November. In that Report he would expect them to address in more detail the background to some of the financial irregularities to which they alluded in their earlier report of February 1982. On ~~foot~~ of that Report, it will be necessary to

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consider whether Government should launch any further investigations, either by the police, or by financial experts, or initiate legal proceedings against any of the parties involved.

Mr Prior would aim to let his colleagues have a further situation report in the course of the next few weeks.

I am copying this letter to Private Secretaries to members of Cabinet and to Richard Hatfield (Cabinet Office).

Yours sincerely
Julie Hopkins

M W HOPKINS

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Mr. Dubs: Does the right hon. and learned Gentleman agree that there is much public disquiet about the failure—I use that word advisedly—of Operation Countryman? Is he aware that that public concern will not be stilled by denials from retired police officers, no matter how eminent? Does he agree that he and the Home Secretary have a responsibility to carry out a full investigation into the whole sorry business?

The Attorney-General: The problem was that the original Countryman investigation was carried away on a wave of optimism. Figures as high as 80 potential cases were given at one time, but when the evidence in respect of those cases was looked at with care, many times it was found to be hearsay upon hearsay. Often the evidence was from people with serious convictions who may have had a score to settle against particular police officers or against the police force in general.

When the complaints of obstruction came to light, as the hon. Gentleman will recall, the then chief constable in charge of the investigation issued a statement denying that there had been any obstruction. Shortly after that, I had a long meeting with him and Sir Peter Matthews who was to take over from him. We went through everything that was there, and in the end the sort of obstruction that I could identify in the complaints was, for example, that the Director had not agreed to a general immunity against anybody that we wanted to call as a witness, even though that might be in a serious armed robbery case, such as the Williams and Glyn's bank case. For years the Director has refused to give such blanket immunities. I am sure that all right hon. and hon. Members will agree that that is proper.

There were one or two complaints about the Director's representative working in Surrey with the Countryman force. When one looked into them, they were found not to be cases of obstruction of any kind. The meeting ended with a resolve on all sides that the inquiry should go forward with renewed vigour.

Mr. Arthur Davidson: In view of the criticisms made by Sir David McNee in his memoirs of the way in which the Operation Countryman team worked and his allegations that the inquiry went much wider than was necessary, will the Attorney-General tell the House how closely the DPP kept in touch with and advised those carrying out the investigations?

The Attorney-General: The Director of Public Prosecutions did everything that he could to keep closely in touch, but unfortunately from time to time Countryman officers did things that could not be justified. Without telling the Director that they had done so they arrested a senior officer on a charge that had nothing to do with Countryman. He did not learn about it for some weeks. There was found to be no evidence when the facts were analysed, and the officer had to be discharged.

In another case the Countryman officers sought to support a bail application in a Surrey case involving a villain in Surrey when the Surrey police were opposing bail. Mr. Hambleton admitted to me at the meeting that both of those actions were wrong. Those were the sort of problems that were occurring. Tight control can only be exercised by the Director if somebody reacts to that tight control when it is sought to be imposed.

Later—

Mr. Michael Latham (Melton): On a point of order, Mr. Speaker. You will recall that we lost two minutes of Question Time because points of order were raised. While it was entirely appropriate for you to take them if you wished, on many occasions you have reminded the House that we should wait until the end of Question Time. Would it be desirable to stress that again?

Mr. Speaker: The hon. Gentleman is correct. If hon. Members raise points of order during Question Time, I must show the House that it suffers, and therefore bring Questions to an end at exactly 3.30.

De Lorean Motor Company

3.30 pm

Mr. J. Enoch Powell (Down, South) asked the Secretary of State for Northern Ireland if he will make a statement on the affairs of the De Lorean Motor Company.

The Secretary of State for Northern Ireland (Mr. James Prior): As I announced on 19 October, as no investor had come forward to take over De Lorean Motor Company Ltd., the receivers were proceeding to a final rundown of the company's Dunmurry plant. I greatly regret the loss of many jobs to Northern Ireland. I understand that in the last few days a number of interests in both the United Kingdom and the United States of America have been in touch with the joint receivers, to explore the possibilities either of purchasing the stock of cars held in Belfast or of acquiring the entire business as a going concern. No detailed proposals have yet been referred by the receivers to the Government. Any such proposals would be considered on their merits.

Mr. Powell: Will the right hon. Gentleman, who has already done so much damage in the Province by his obdurate refusal to take any notice of sound advice and accurate information, give an assurance that, in addition to any inquiries which may be set on foot by Committees of the House, the Government as such will inquire into the eventual destination of the sums of public money which have come into the hands of the company and into any relationship, financial or otherwise, between that company and its chairman and the IRA?

Mr. Prior: As soon as the receivers were appointed they were asked to carry out such an investigation into the affairs of the company. I am awaiting their report. They have been trying to resurrect the company in the meanwhile. I have no evidence about the accusations of a connection between the chairman of the company and the IRA. If anyone has evidence of a correct kind—I emphasise the word "correct"—perhaps he will come forward with it.

Mr. Clive Soley (Hammersmith, North): While dealing with a difficult matter, will the Secretary of State join me in congratulating the work force on its significant achievements over the years at the De Lorean plant? Let no one underestimate its achievements because of one man's problems. In 18 months, in an area of mass unemployment, the work force turned a green field site into a factory producing modern cars. No one should lose sight of that fact. Nor should the House lose sight of the importance of supporting the work force in Northern Ireland in an area where the unemployment rate is 35 per cent.

Mr. Prior: Yes, Sir. It was a remarkable feat to have an untrained work force and turn it into a trained work force producing cars within three years of the factory being started. It reflects enormous credit upon the work force, and it is with deep regret that we have not been able to find anyone to keep the plant going.

Several Hon. Members *rose*—

Mr. Speaker: Order. I propose to call two hon. Members from either side, and then to move on to the guillotine business.

Sir Philip Goodhart (Beckenham): Much wrong advice has been given, many wrong decisions have been taken and much public money has been wasted. Surely we should have a full public inquiry.

Mr. Prior: The Public Accounts Committee is in any case to investigate what has happened. It is an extremely sorry story. The receiver's report will shortly be made available to the Government. The Cooper Lybrand report has been available, and at times there have been police investigations. There is a great deal of information available, and no doubt there is more to come.

Mr. Tom McNally (Stockport, South): Is the Secretary of State aware that the statement by the spokesman for the official Opposition is almost identical to the unanimous report of the Select Committee on Trade and Industry after it visited Northern Ireland this year? There is a lot of support in the House for the right hon. Gentleman's efforts to get Japanese, American, West German, European and British investment into Northern Ireland, and this one unhappy episode should not be allowed to deflect him from the effort of getting jobs to the people of Northern Ireland.

Mr. Prior: Yes, Sir. I agree that nothing should deflect us from trying to get jobs for the people of Northern Ireland. Nor should some exaggerated reports of the state of Northern Ireland be allowed to stop jobs from going there.

Mr. James Kilfedder (Down, North): In view of the heartbreaking number of unemployed people in Northern Ireland, will the Government, despite their experience with De Lorean over the past few years, do all in their power to get a buyer to take over this company, to provide some hope for the people?

Mr. Prior: It is important for the people in Northern Ireland, let alone the House, to make certain that projects are proceeded with only when they are seen to be properly viable and there is a chance of success, otherwise Northern Ireland and the House and everything else that we try to do come into disrepute, as in this case.

Mr. Dennis Canavan (West Stirlingshire): Should the Government not learn the simple lesson that when public money is spent on industry the best way to ensure public accountability is through public ownership? In view of the millions of pounds of taxpayers' money that the Government have spent in trying to bail out the De Lorean company, what guarantee have we that the Government will not spend another £3 million of taxpayers' money to bail De Lorean out of gaol?

Mr. Prior: No, Sir. I do not believe that many of the hon. Gentleman's hon. Friends will agree with his remarks. He should be a little careful, because it was his Government who started the project.



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Attached are copies
of the draft reply
to Mr Enoch Powell's
P.N.Q. on De Lorean.

*With the Compliments
of the
Parliamentary Clerk*

25 October, 1982

Ireland

MR J ENOCH POWELL (South Down): To ask the Secretary of State for Northern Ireland if he will make a statement on the affairs of the De Lorean Motor Company.

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MR PRIOR

As I announced on 19 October, because no investor had come forward to take over De Lorean Motor Company Ltd, the Receivers were proceeding to a final rundown of the company's Dunmurry plant. I understand that since then a number of interests in both the UK and the USA have been in touch with the joint Receivers, to explore the possibilities either of purchasing the stock of cars held in Belfast or of acquiring the entire business as a going concern. No detailed proposals have yet been referred by the Receivers to Government and while any such proposals would be considered on their merits it would be irresponsible for Government to raise expectations at this juncture which may in the event not be fulfilled.