

CONFIDENTIAL  
PERSONAL

CONFIDENTIAL  
PERSONAL



PUS/L/2499/MLR

NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

*Permanent Under Secretary*

Mr P J Woodfield CB CBE

F E R Butler Esq  
Principal Private Secretary  
No 10 Downing Street

23 December 1982

*Len Hyman,*

MR NICHOLAS WINTERTON MP AND THE DE LOREAN COMPANY

Thank you for your letter of 15 December.

None of the allegations put forward by Mr Winterton in October 1981 was new, all of them having been made from other sources at one time or another. Our first knowledge of Mr Winterton's interest in these allegations was when Mike Pattison came to see me on 2 October to tell me of Mr Winterton's approach to Mr Gow; subsequently Mr Pattison amplified that information in a telephone conversation on 5 October. The papers which Mr Winterton provided were not shown to anyone in the Northern Ireland Office, being the subject of a police investigation; but the Law Officers Department gave us a clear indication of the thrust of the allegations made, precisely so that we could see whether there was any material requiring further examination by the Northern Ireland Office.

There were five allegations and the way in which they have been handled is as follows:

- a. Mr De Lorean did not invest as much in De Lorean Motor Cars Ltd (DMCL) as he had promised.

This allegation had been made earlier in the summer of 1981 and the Northern Ireland Department of Commerce had already

CONFIDENTIAL  
PERSONAL

CONFIDENTIAL  
PERSONAL

made it clear that the agreement with the De Lorean companies provided only for De Lorean Motor Company (DMC) to invest £546,000 (or \$1M); this it did. Mr De Lorean was not required and did not promise to make any personal investment in DMCL.

b. money was spent on projects which were not connected with the production of the DMC 12.

There appears to be two different thoughts behind this allegation; first, it is claimed that DMCL should not have purchased houses, etc for employees working in Belfast; but Northern Ireland authorities had given assistance to the Company specifically so that they could take such actions designed to attract high quality management staff to Belfast. This was a case of using funds for the intended purpose, not misuse. Second, DMC involved itself in certain other manufacturing operations (eg development of a transbus and an off-the-road vehicle). Because the Northern Ireland Development Agency had two directors on the Boards of DMCL and DMC, the Northern Ireland Department of Commerce had much earlier notice of this point than was given by Mr Winterton. In May 1981 NIDA commissioned McKinseys to advise them on whether these operations were a proper part of the functions of DMCL. Their report, received on 8 May 1981 confirmed that these other activities made considerable sense for a one product company seeking to secure its future by looking at complementary products which would help to spread manufacturing and marketing overheads. McKinseys concluded that there was no evidence that these activities had in any way affected the DMC 12 project and the investments were modest totalling \$550,000 in all.

*This does not deal with the allegation that Mr. de Lorean's house was over-lavishly equipped.*

c. the proposed public issue of shares in New York would benefit Mr De Lorean, and reduce the return to the UK taxpayer.

It was undoubtedly the case that the initial terms proposed by Mr De Lorean for the public launch of shares would have been unjustifiably harmful to the Government's shareholding. It was

CONFIDENTIAL  
2  
PERSONAL

CONFIDENTIAL  
PERSONAL

for precisely this reason that the Northern Ireland Development Agency refused to endorse the terms proposed by Mr De Lorean, and insisted on negotiating much better terms. Ultimately because of the toughness of the Government's attitude the issue did not go ahead.

d. fraudulent claims have been made by DMCL for criminal damage compensation.

The criminal damage in question was the burning of buildings on the DMCL factory site in Belfast in May 1981; some important records were lost and company production was set back. DMCL claimed in respect of the damage to the property. This was assessed by the NIO at £425,327 and was paid. DMCL also claimed some £10.5M compensation, to include the loss of production and loss of revenue. The NI Office, which was also responsible for meeting this claim, has not accepted the amount, and negotiations are still proceeding on what should be the correct compensation. The eventual figure is likely to be about one quarter of the original claim. The fact that the claim was greater than the amount we are willing to pay does not mean that the original claim was fraudulent; claims are, unfortunately often excessive. There is no indication that De Lorean was trying to commit fraud and in any case we have taken good care to ensure that no excessive sum is paid to the company.

e. the payment made to a Swiss bank for the benefit of GPD Services Inc which was believed by NIDA would go to Lotus Cars, apparently never reached that company. ?

At an early stage in the enterprise (1978) it was clear that DMCL would need the assistance of an established car manufacturer to develop the research ideas into a manufacturing project. The DMCL Board agreed that GPD Services, a company registered in Panama but operating out of Geneva, should procure the services of Lotus Cars and its Chairman Mr A C B Chapman for this purpose. It has since been claimed that a large part of the money initially paid by the De Lorean Research Limited Partnership and DMCL to GPD did not in fact reach Lotus Cars Limited and Mr Chapman. That allegation was made in the

CONFIDENTIAL  
PERSONAL

CONFIDENTIAL  
PERSONAL

summer of 1981 and, as you know, was repeated by Mr Winterton.

There was at that time, and still is, no proof as to what did happen to some of the money paid to GPD and this was, of course, among matters put to the Police to investigate. As you know, the Police investigation in October 1981 did not uncover anything to justify further Police action, and it was the view of the Law Officers and the Director of Public Prosecutions that none of the information uncovered by the Police would have been new to the Northern Ireland authorities. In these circumstances there was no merit in trying to mount a further specific civil investigation into the GPD monies. Indeed, there was a powerful reason why a new investigation should not be mounted. At that time in the Autumn of 1981 the Government's overwhelming anxiety was to ensure that we got as high a return as possible out of our very large investment in the De Lorean enterprise. The Company had just started to sell its cars in the United States and we were all most anxious that it should be helped to go on selling them as quickly and profitably as possible. Unless there were clear prospects that a further investigation would uncover new facts there was every reason not to go through a cosmetic investigation; such an investigation could only have harmed the company's prospects and the Government's prospects of getting a good return on its investment, for no real benefit.

*I do not find  
this paragraph  
very convincing*

*F.R.B.*

*No 2 do I  
not.*

I think the correctness of this judgement is supported by the fact that when Receivers were appointed in February 1982 they were still unable to determine what happened to some of the money paid to GPD; and it is as a result of the Receivers' inability to trace this money that the Police have now been asked to mount a further investigation and the Department of Trade have also launched a Companies Act investigation.

Underlying some of these points, and some of the other things said about De Lorean lies an important question about the extent to which Government can and should seek to trace the use to which a company

CONFIDENTIAL  
PERSONAL

CONFIDENTIAL  
PERSONAL

PERSONAL  
CONFIDENTIAL

puts money supplied by Government. The authorities' agreement with De Lorean was that in return for Government assistance he would establish a car building factory in West Belfast, and employ some 2,500 people there. The Public Accounts Committee are likely to have some very critical things to say about the De Lorean project as such. But in their examination of the extent to which Government properly monitored De Lorean's performance of his side of the bargain, I think they will find that the Department of Commerce and the Northern Ireland Development Agency scrutinised progress very carefully indeed. The arguments as to whether Government should seek to go further than that have much wider repercussions, and we have tried to be careful in our public stance not to imply a general willingness to accept responsibility for the use made of any funds contributed by Government to a private concern. Nevertheless, NI officials have in fact taken a good deal of care to monitor the operations of the company, and have arguably gone further than is normal in such cases. For example, the Department of Commerce requested the two directors appointed by the Northern Ireland Development Agency, in terms which did not allow any choice, to block the bonus payments to DMCL executives in early 1982.

Turning to Mr Winterton's present concerns I wonder whether you might think it helpful to relieve some of the pressure by giving some of the answers to his allegations by means of, for instance, an answer to an arranged Written Parliamentary Question to my Secretary of State. Although we would have to be careful in drafting an answer to avoid possible difficulty with the Public Accounts Committee, and would certainly wish to consult the Law Officers Department on the text, I think it might be possible to prepare a short statement which could acknowledge that Mr Winterton made the five allegations given above and could give a reasonably clear answer to at least the first four of them. The drafting on the 5th would be more difficult, but if you think the Prime Minister would find it helpful to consider this approach I will have a draft prepared for consideration.

I am sending a copy of this letter to Jim Nursaw.

CONFIDENTIAL

PERSONAL

P J WOODFIELD

*Yours ever,  
P. J. Woodfield*

Ireland, July '80, DeLoorean

11 12 1  
10 11 12  
9 10 11  
8 9 10  
7 8 9  
6 7 8  
5 6 7  
4 5 6  
3 4 5  
2 3 4

2 3 DEC 1982



10 DOWNING STREET

Prime Minister

You will want to see  
Mr. Woodfield's letter below about  
action taken by the Northern  
Ireland office on Mr. Winterton's  
suggestions.

I have made two marginal  
comments on points where the letter  
does not seem to me conclusive.

I doubt whether the suggestion of  
an inspired PQ is a good one at present.  
It would not vindicate Mr. Winterton and  
would most probably prompt him to  
challenge the NIO's account in public.

I agree not, FERB. 23.12.



Ireland

File A11

10 DOWNING STREET

From the Principal Private Secretary

24 December 1982

PERSONAL AND CONFIDENTIAL

Dear Philip,

MR NICHOLAS WINTERTON MP AND THE DE LOREAN COMPANY

I have shown your letter of 23 December to the Prime Minister, who was very grateful for it. She has noted the points made in it, and there are just two comments of substance which I should pass on to you.

On the second allegation that money was spent on projects which were not connected with the production of the DMC 12, much of the criticism has focused not on the purchase of houses for employees but on the extravagance with which some of those houses were equipped, particularly the house of Mr De Lorean himself.

On the fifth allegation, the Prime Minister's reaction was that the arguments in your letter against mounting an inquiry into allegations that payments - presumably financed from public funds - did not reach their proper destination do not look convincing: the fact that the information covered by the police in October 1981 was not new to the Northern Ireland authorities is not self-evidently a conclusive reason for not mounting any further investigation or for thinking that such a further investigation would be purely cosmetic.

On the procedure, the Prime Minister concludes that it would be better not to arrange a written Parliamentary Question at present. The effect of such a public statement would be to put Mr Winterton into the wrong and would probably compel him to respond by alleging inadequacies on the part of the Government. This would not help Mr Winterton with his legal actions and would exacerbate his differences with the Government. The Prime Minister is inclined to think that the best course is to wait and see what Mr Winterton decides to do next following his meeting with her and then to consider further any Government

A11



- 2 -

reaction in the light of that.

I am copying this letter to Jim Nursaw.

Yours ever,

Robin Butler

P J Woodfield Esq., CB CBE,  
Northern Ireland Office.

Ireland  
2

MS

PRIME MINISTER

cc Mr Gow  
Mr Ingham

You will wish to be aware that the Attorney General's secretary rang me today to say that he had been contacted by a journalist working for "Financial Weekly". The journalist said that Nicholas Winterton had given him a long story about the misuse of public funds by De Lorean. The story also included attacks on the Attorney General and the Director of Public Prosecutions, and accused the Government of a "massive cover-up".

The journalist asked the Attorney General's secretary whether the Law Officers would comment on Mr. Winterton's story. The Attorney General's secretary replied that the Law Officers would have no comment to make, except to say that Mr. Winterton's allegations of a cover-up were not true. Ministers would obviously defend themselves against any such allegations in Parliament, and not in the columns of a newspaper.

CM

5 January 1983

Ireland  
File



10 DOWNING STREET

Prime Minister

You should know that  
Nicholas Winterton has given an  
interview to Nigel Dudley of "Financial  
Weekly," in which he renewed his  
complaints against the Attorney  
General: I am Gow and I agree  
that this was a particularly foolish  
thing for him to have done, since  
his meeting with you demonstrated  
that there was no substance to his  
complaints against the Attorney General.

You will see ~~that~~ <sup>from</sup> the attached that  
the publishers are giving the Attorney General  
time to comment before publishing.

F.R.B. 6.1.

TEXT OF LETTER FROM MR. NURSAW, LAW OFFICERS' DEPARTMENT TO  
MR. RICKETT DATED 5 JANUARY 1983

---

Dear Willie,

MR. WINTERTON AND THE DE LOREAN STORY

We spoke this morning about an article which was to appear in the next issue of "Financial Weekly". Subsequently, Mr. Robert Maxwell, Chairman of IPC, asked his lawyers to Speak to the AG and they had to make do with me. I stuck to the 'no comment' line and commented that even if the AG should wish to comment, he was not allowed time to do so. I have since heard that Mr. Maxwell has decided to delay publication for a week. I asked the journalist concerned, Mr. Nigel Dudley, to write giving the substance of Mr. Winterton's attack on the AG, SG and DPP.

Yours ever,

Jim

*ms*

LAW OFFICERS' DEPARTMENT  
ROYAL COURTS OF JUSTICE  
LONDON, WC2A 2LL



J. Nursaw  
LEGAL SECRETARY.

5 Jan '83

ph.  
to Mr Butler  
Mr Gorr

wh  
41

Dear Willis,

Re. Winterton + the do home story

We spoke this morning about an article which was to appear in the next issue of "Financial Weekly". Subsequently Mr. Robert Maxwell, chairman of I.P.C., asked his lawyers to speak to the A.G. + they had to make do with me. I stuck to the 'no comment' line + commented that even if the A.G. should wish to comment, he was not allowed time to do so. I have since heard that Mr. M. has decided to ~~write~~ delay publication for

a week. I asked the journalist  
concerned, Mr. Nigel Dudley, to write  
giving the substance of Mr. Winterton's  
attack on the A.G., S.G. + D.P.P.

Yours ever,

Jim

W.F.S. Richell, Esq.  
10 Downing Street.