

SECRET



FROM THE  
MINISTER OF STATE  
FOR INDUSTRY AND  
INFORMATION TECHNOLOGY

Kenneth Baker's Office

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*Ecan Pd*

Tim Lankester Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
London SW1

*MBM  
TL*

*173* 10 March 1981

*Dear Tim,*

ICL

Mr Baker chaired a meeting on the evening of 9 March at 10 Downing Street to discuss the terms of and conditions that should be applied to a guarantee which would be given under Section 8 of the Industry Act 1972 to loans to ICL from three of the London clearing banks and Citibank (the clearers) The Attorney General, Lord Cockfield, Lord Benson, Mr Ibbs, Mr Woolfson and Sir Peter Carey, Mr Croft, Mr Atkinson and Mr McElheran from the Department of Industry were also present.

Mr Baker explained that the Prime Minister had asked the group to meet urgently following the Government's decision to provide a guarantee. In initial discussion concern was expressed about the future viability of the Company and it was stressed that drastic action would be needed to reduce losses. However, the group noted that discussions on possible partnerships with a number of companies were proceeding satisfactorily and the company had a strong customer base. In addition, the company had already taken steps to improve the cash flow.

The following terms and conditions were agreed:

a the Government should guarantee loans by the clearers to ICL in addition to the clearers existing commitments of £105m. Although ICL currently had credit facilities in excess of this a considerable part of these were lines of credit from overseas banks which could not be relied upon. The group therefore deemed it prudent to assume that only the clearers current loan facilities and their additional guaranteed lending (£100m) would be available.



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- b the Government should seek to share with the clearers in their existing security on a pari passu basis. It was agreed that this should be a negotiating position and that it should not be a stumbling block to the conclusion of an agreement;
- c the clearers should closely monitor the performance of ICL and should report back to the Government if there was any deterioration in the company's position;
- d the terms of any redundancy payments made by ICL should be restricted to statutory entitlement;
- e the company should use its best endeavours to negotiate a partnership deal and it was agreed that Mr David Scholley should be asked to lead these negotiations. There was also agreement that it was essential to safeguard the Government's interests as a user of ICL equipment and therefore the Government should have a right to veto any proposed agreement. However, it was recognised that the company were actively pursuing partnership and the strength of the public sector customer base was an attractive asset. Therefore, it was likely that any purchaser would be able to give satisfactory assurances on this point. In order that this condition should be implemented it was necessary that the Government should be kept informed and should be consulted at all stages with a view to it satisfying its interest as a user;
- f it was agreed that the desirable term for the guarantee should be one year. On the one hand a longer term would restore customer confidence but on the other it would reduce the pressure on the company to seek a partnership. However, the group questioned whether the terms of Section 332 of the Company's Act would require a longer period; if 12 months were not adequate this would have to be reviewed;



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g the Government should have the right to appoint a Receiver. This condition was necessary to safeguard the Government's interest if the situation of the company deteriorated irrevocably; and

h the company should consult with the Government and the clearers on the membership and structure of the Board. It was agreed that, as a first step, the Government and the clearers should seek to have two non-executive directors appointed to the Board. More fundamental changes in the Board membership could follow the satisfactory negotiation of a partnership deal.

Since the ICL Board would be meeting on 10 March to discuss the question of appointing a receiver Sir Peter Carey was asked to see the Chairman of ICL the following morning and to explain to him that the Government intended to provide some measure of support for ICL. Whilst the details of this were being settled he would suggest that the company should adjourn discussion of its position under Section 332 until 16 March. Lord Benson undertook to talk quickly to the Midland and Barclays Banks with a view to informing them that the Government would shortly wish to open discussions them on the terms and conditions of a guarantee.

I am copying this to Tony Wiggins (Treasury), Jim Buckley (CSD), Peter Michael (Treasury), the Private Secretaries to the Attorney General and Lord Benson, Geoffrey Spence (Cabinet Office) and David Wright (Cabinet Office).

*Yours sincerely,*

JONATHAN HUDSON  
Private Secretary

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Econ PJC  
PM seen  
(in meeting folder)  
11/3/81

Treasury Chambers, Parliament Street, SW1P 3AG

Jonathan Hudson Esq  
Private Secretary to the Minister of State for Industry  
and Information technology  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1E 6RB

11 March 1981

Dear Jonathan,  
ICL

Lord Cockfield has questioned the accuracy or completeness of the report in your letter of 10 March of the meeting which took place in the evening of 9 March, on three points.

First on point (b), he says that Lord Benson was insistent that the Government's guarantee should rank *pari passu* with the advances by the clearers under their existing commitments. While some doubt was expressed in some quarters whether he would succeed, the statement that this should be "a negotiating position" and should not be "a stumbling block" does not reflect either the importance placed on the point or the determination expressed to pursue it.

Second on point (f), the real dispute was between six months for which Lord Cockfield pressed and twelve months favoured by most other participants in the meeting: and the arguments reported related to those periods. There was little or no discussion of a period longer than 12 months and had there been Lord Cockfield would have dissented even more strongly.

Third, his clear recollection is that it was reported that the question of the Chairmanship was likely to be resolved anyway in the near future without the need for the Government to make this a condition of the guarantee. The "more

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fundamental changes ... [which] could follow the satisfactory negotiation of a partnership agreement", to which para h refers, related to other changes in Board membership.

I am copying this to John Wiggins here, Tim Lancaster (No 10), Jim Buckley (CSD) the Private Secretaries to the Attorney General and Lord Benson, Gerry Spence (CPRS) and David Wright (Cabinet Office).

Sincerely,

Peter Michael

P A MICHAEL

Private Secretary

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11 MAR 1981



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01-405 7641 Ext. 3291

Communications on this subject should  
be addressed to

THE LEGAL SECRETARY  
ATTORNEY GENERAL'S CHAMBERS

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ATTORNEY GENERAL'S CHAMBERS,

LAW OFFICERS' DEPARTMENT,

ROYAL COURTS OF JUSTICE,

LONDON, W.C.2.

Our Ref: 400/81/79

11 March 1981

G H Taylor Esq  
Solicitor's Department (DI)  
Departments of Trade and Industry  
Monsanto House  
10/18 Victoria Street  
LONDON S W 1

*R.*  
*1/13*  
Dear Geoffrey

ICL

I have now seen the Private Secretary's letter of  
yesterday circulating the draft conditions of guarantee.

Since the letter does not refer to the position of  
this Department, I had better record for completeness  
that the Attorney General has now seen the draft and  
approves it - both in general and as reflecting his views  
on s. 332 of the 1948 Act.

Copied to Jonathan Hudson (DOI) and Tim Lankester ✓  
(No 10).

*Yours,*

*John Mallinson*

J R MALLINSON

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