

Ref. A09585

PRIME MINISTER

PRIME MINISTER

Two awkward cases. I think Mr Mitchell's responsibilities make it desirable that he divest himself of his shares. Are you content with this, and with different treatment in Mr Marshall's case?

MAD 17/1

I am sorry to have to trouble you with two detailed points on Ministers' private interests but they are very much borderline cases for which, rather surprisingly, there are no close precedents.

Both Mr. Marshall and Mr. Mitchell, Parliamentary Under-Secretaries in the Department of Industry, run small businesses, details of which are attached. The Department of Industry, both in terms of its responsibility for small firms and its interest in company policy generally (e. g. it is consulted by the Treasury on company taxation matters, and by the Department of Trade on company law matters) can create unavoidable conflict of interest situations for any Department of Industry Minister involved in a business. At the same time there are particular difficulties for a Minister who has to disengage from a company which has revolved round him before he became a Minister.

Questions of Procedure stipulate (a) that Ministers must on assuming office resign any directorships and (b) that Ministers must get rid of any controlling interest, or any lesser shareholding if there is any danger of a conflict of interest.

I think therefore that both Mr. Marshall and Mr. Mitchell must resign their directorships: and I understand that they expect to do this. The shareholding question is less straightforward.

Mr. Marshall is prepared to give up his shareholding in Marshall Consultants Limited but would like to transfer his shares to his wife if this is permissible. The current guidance does not impose any bar on Ministers' wives holding directorships: and in the Marshall case if Mrs. Marshall were required to resign her directorship we would be effectively stopping the business since in her husband's enforced absence she would be running Marshall Consultants Ltd., primarily in the sphere of promotion of tourism in which she has hitherto specialised. If this is accepted, the question arises whether Mr. Marshall can transfer his 3399 shares to her. The alternatives would be to put all the shares in trust or for Mr. Marshall to sell them. But it would be difficult to sell when



the wife wishes to continue the business and I doubt if trusteeship would help when all the shares would be held for the ultimate benefit of the Marshalls. The more relevant consideration is that Mr. Marshall's Ministerial responsibilities will be primarily in the public sector sphere: Post Office; British Aerospace; British Shipbuilders; Cable and Wireless; British Steel; NEB. On balance therefore I think he should be permitted to retain his shareholding on the understanding that he keeps the possibility of a conflict of interest continually under review in conjunction with his Permanent Secretary (Sir Peter Carey). *Apex*

Mr. Mitchell would like to keep his shareholdings in El Vino Company Ltd. and Mitchell Partners and has also asked whether, if he must give them up, he can transfer them to his wife. Again the wide family spread of El Vino's and its related companies make divestment by him personally or the trusteeship route a not wholly plausible way of meeting the conflict of interest problem. The real difficulty is however that Mr. Mitchell has responsibility for small firms and even if he is not concerned with his own firms directly he will certainly be consulted e.g. on company taxation matters where his own firms would be affected by the outcome. I do not for a moment suggest that he would be influenced by this. The question is whether criticism would arise if and when it becomes known that a Minister responsible for small businesses has got considerable personal interests involved. Rather reluctantly therefore I reach the conclusion that Mr. Mitchell should be asked to divest himself of these shares either to his brother or into a trusteeship.

I am putting these cases to you partly because, as I say, they are borderline ones and partly because it would mean treating two junior Ministers in the same Department rather differently in very similar circumstances. The problem is however Mr. Mitchell's responsibility for small businesses.

I should be grateful if you would let me have your views so that I can pass them to the two Ministers concerned.

I am very concerned about Mr. Mitchell's case. If the conclusion is right, it means that small businesses can have

17th May, 1979

John Hunt

be presented by someone who knows about them from experience. That means asking Mr. Mitchell to ask if a trusteeship could be formed for

avoid a strike. It's well would be a trusteeship.

MARSHALL CONSULTANTS LIMITED

DIRECTORS: R. MICHAEL MARSHALL
MRS. C. V. O. MARSHALL

SECRETARY: Mrs. C. V. O. Marshall

REGISTERED OFFICE: 22-24 Ely Place,
London EC1N 6TD

REPORT OF THE DIRECTORS

The Directors present the audited accounts for the year ended 5th April 1978.

ACTIVITIES: The principal activities of the Company throughout the year were that of consultancy and management of a small property.

FINANCIAL RESULTS: The Profit and Loss Account for the year is shown on Page 4.

DIVIDENDS: The Directors do not recommend the payment of a dividend for the year ended 5th April 1978.

FIXED ASSETS: Changes
Changes in the Fixed Assets during the year are shown on Page 7.

POLITICAL AND CHARITABLE CONTRIBUTIONS: There were no political or charitable contributions during the year.

DIRECTORS: The names of the Directors who held office at the end of the year, which remained unchanged during the year, together with details of their interests in the shares of the Company, were:-

R. M. Marshall	-	3,399
Mrs. C. V. O. Marshall	-	1

DIRECTOR'S RESIGNMENT: The Director retiring under the provisions of the Company's Articles of Association is Mrs. C. V. O. Marshall, and she being eligible offers herself for re-election.

AUDITORS: The Auditors Geo. S. Johnson, Rolph and Co., are willing to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.



D B MITCHELL

THE PRIMARY BUSINESS is the family one of El Vino Company Limited, registered office 1 Hare Place EC4, which is a private limited company. Its activities are importing wine principally direct from negociants in France and Germany, bottling, maturing, and selling in the UK through two licensed premises in the City of London at 47 Fleet Street, EC4 and 6 Martin Lane, Cannon Street, EC4. The range of stock offered to the public includes most standard propriety brands normally obtainable in an off-licence.

These two outlets consist of wine bars selling wines and spirits on the ground floor and lunchtime restaurants in the basement, and in addition an off-licence wine merchants business is conducted from both premises as well as by mail order from the Company's offices on the third floor of 47 Fleet Street (also known as 1 Hare Place).

The Company owns the freehold of both its trading premises, and also rents a warehouse from British Rail.

THE FIXED ASSETS on the Balance Sheet at 15 February 1978 amounted to £96,000, covering vehicles, invested reserves (overwhelmingly in gilt-edged securities and local authority loan) and the written down value of the two freeholds which are in at £41,000 of the £96,000. However, please note that these freeholds are worth something in the order of £ $\frac{1}{4}$ million each.

THE NET CURRENT ASSETS amount to £175,000 which is overwhelmingly made up of the Company's stock of wines and spirits with a stock value of £271,000 which is reduced by the balance of debtors and creditors to £175,000.

TURNOVER to the year ended 15 February 1978 was £725,000 excluding VAT. To the year ended 15 February 1979 it was £840,000 excluding VAT.



POLITICAL CONTRIBUTIONS - there were none as such, but approximately £200 was subscribed to the Small Business Bureau of the Conservative Party.

SHARE CAPITAL consists of £10,000 fully paid and issued, consisting of 30,000 ordinary 6s 8d shares. The dividends have been 30 per cent for many years (i.e. £3,000 per annum).

The Directors are David B Mitchell and Christopher R Mitchell, his brother. David Mitchell is the Company Secretary. The breakdown of the shareholdings follows.

Christopher R Mitchell	13,450
Michael (his son)	1,050
Anthony (his 2nd son)	500
David B Mitchell	13,450
(and held by a bare trustee for his sons)	
Andrew	975
Graham	575

Mitchell Partners

(Note this is not a partnership, it is incorporated without limited liability)

Capital - £100 with two shares issued. One to David Mitchell and one to his brother, Christopher Mitchell.

Activity - Purchases wines exclusively on behalf of El Vino Company Ltd.

Assets - No fixed assets, only current assets all of which are in stock value of £43,000, increased with the balance of debtors and creditors to £49,000.

Dividend - None (profits taken as salary) No Political Contributions



Other Directorships

W BRYDON LIMITED

This Company has ceased trading and is being taken off the Companies House Register. It is a wholly owned subsidiary of El Vino Company Limited. (The name Brydon is now a registered business name for the wholesaling activity of El Vino Company Limited).

STROUD & WREN (JEREZ) LIMITED

This is a wholly owned subsidiary company of El Vino Company Limited. It has ceased trading but still has assets and will be paying a dividend to El Vino. All remaining assets are in cash on loan to El Vino. The name Stroud and Wren (Direct Wines) has been registered as a business name for the trade formerly carried on by Stroud and Wren (Jerez) Limited. The Directors of Stroud and Wren (Jerez) Limited are David Mitchell and Christopher Mitchell; David Mitchell is the Company Secretary.

Mr Mitchell will be resigning his directorships and secretaryships and intends that his wife, who now works as an Executive in the Company, will work as a Director.

Ref: A09604

MR. PATTISON

PRIME MINISTER

1.

Further advice about Mr Mitchell's shareholdings: the earlier submission is at Flag A. Content for Sir J Hunt to consult Mr Mitchell about appropriate trustee arrangements? *MJH 22/5*

In your minute of 18th May about the private interests of Messrs. Marshall and Mitchell you said that the Prime Minister was not happy with my conclusion in respect of Mr. Mitchell and wanted to know whether a trusteeship could be formed for his period in Office, with his wife as trustee. Perhaps I ought to make clear that I was not suggesting that Mr. Mitchell should have to do anything which would make it impossible for him to resume his position with the business after he ceases to be a Minister; for that reason I suggested that he should either transfer his shares to his brother or put them into a trusteeship. I see no difficulty therefore in forming a trusteeship, though perhaps it is a more open question whether his wife should act as the trustee.

Before going ahead with Mr. Mitchell on these lines I thought I ought just to check that the Prime Minister saw the attached extracts from the Evening Standard on 18th and 21st May. I have checked that the report of 21st May is incorrect. Mr. Mitchell has not sold his shares in El Vinos and is not responsible for the second Evening Standard extract. But given the fact that publicity has now been given to this shareholding it seems to me to increase the desirability of him putting his shares in the name of trustees.

Flag B —

J. Hunt
John Hunt

22nd May 1979

Trusteeship of shares
seems best - but the
reality is that whoever is
trustee will have to have regard to
the family interests

MWSGTS

Mr. Vile
Cabinet Office

The Prime Minister has seen Sir John Hunt's further minute (AO9604) about the private interests of Mr. Mitchell.

She is content that he should be asked to make arrangements for his shares to be held in a Trusteeship, although she recognises that in practice any trustee will have to take account of the family interest.

M.A. PATTISON



23 May 1979

EVENING STANDARD, FRIDAY, MAY 18, 1978

LONDONER'S DIARY

DOES David Mitchell know something we don't? His wineshop, El Vinos in Fleet Street, has not one but two large notices advising clients to "buy before the Budget." Mitchell, Under Secretary for industry, is a director of the company and presumably in the know about VAT changes. I'm taking his advice.

Extract from the Evening Standard
of Monday, 21st May 1979.

I AM happy to point out, at the prompting of the Department of Trade and El Vinos, that David Mitchell, Under Secretary for Industry, resigned his directorship of, and sold his shares in, the wine-shop upon his appointment. The notices which subsequently appeared urging customers to "buy before the budget" were of course put up in its windows—just as they have been in many other establishments — independently of Mitchell.



DB

10 DOWNING STREET

From the Private Secretary

B/F 25-5-79

MARTIN VILE,
CABINET OFFICE.

The Prime Minister has considered Sir John Hunt's minute of 17 May about the private interests of Messrs. Marshall and Mitchell. She agrees with Sir John's recommendation about Mr. Marshall's shareholding. She is concerned about Mr. Mitchell's case. If there is no alternative to requiring him to divest himself of his shareholding, this would mean that small businesses can never be represented by someone who understands their problems from personal experience. She is not happy with this conclusion, and would like to know whether Mr. Mitchell could be asked if a trusteeship could be formed for his period in office, with his wife as a trustee.

I would be grateful for further advice on this point.

MAD

18 May 1979

W

73. Ministers should scrupulously avoid speculative investments in securities about which they have, or may be thought to have, early or confidential information likely to affect the price of those securities.

"Names" at Lloyds

74. A Minister should not be a "name" at Lloyds while holding office as Prime Minister, Chancellor of the Exchequer or Secretary of State for Trade. As regards other Ministers who, on appointment to office, are "names", it is clearly inappropriate that they should take an active part in the management of the affairs of the syndicates of which they are members; and there may be cases in which, because of the emphasis of a syndicate's business, any continued participation in it must be regarded as inconsistent with the holding of a particular Ministerial office. All Ministers are therefore required, on appointment whether to their first or to any subsequent Ministerial office, to obtain the permission of the Prime Minister before continuing a connection with Lloyds, however nominal, which they had established before appointment or establishing any such connection during their term of appointment. Before granting permission, the Prime Minister will need to be satisfied that the conditions indicated above will be met.

Nominations for International Awards, etc

75. From time to time, the personal support of Ministers is requested for nominations being made for international prizes and awards, eg, the annual Nobel prizes. Ministers should not sponsor individual nominations for any awards, since it would be inevitable that some people would assume that the Government was itself thereby giving its sponsorship.

Pressure Groups

76. Ministers are frequently asked to associate themselves with pressure groups, for example by becoming signatories of open letters or appeals or by attending a rally or other function to