



at D A. Duguid 2

Prime Minister

You won't want to take an immediate view on the proposal at X; but I will ensure that this comes back to E as soon as possible.  
E (80) 14 Mrq item 1.  
TC

MS

PRIME MINISTER

INMOS

When we last considered the question of INMOS at E Committee on 24 April 31/5 we agreed to give GEC a chance to negotiate terms with the NEB for the company's participation in the INMOS venture, and asked Keith to report back within a month. I had hoped therefore that we should be in a position to take a decision in the matter before the end of May. Now however I see from his minute to you of 23 May that although GEC are no longer interested there is "a fair possibility" that something may come of discussions that are continuing with other sources of private finance, and that the prospect of a decision in the matter is therefore receding again.

Keith Joseph told us a month ago at E Committee that in view of the delay to which their application had been subjected INMOS were considering the transfer of their entire operation to Colorado Springs, and were convinced that they could raise private US capital for this purpose. As the record of Keith's remarks at E puts it: "The result would be a purely American venture, with no facilities or jobs in the UK, either in the Assisted Areas or elsewhere ... Both the NEB and INMOS claimed that the delay by the Government in reaching a decision was putting the whole project at risk".

X Of course the best outcome would be the injection of private capital into the company to enable it to go ahead in this country. But in view of the growing risk that it might decide to take itself off to the United States (with the loss of up to 4,500 jobs to this country) I wonder whether an acceptable solution might be for the Government to announce that to enable production to go ahead in the UK it was prepared to guarantee the second tranche of £25 million (but no more), while still pursuing the possibility of replacing this with private capital. If Keith's soundings thereafter result in a firm offer of private participation we could allow this to be substituted for our own £25 million.

In any case, I hope you will agree that we should take up this question again, as soon as Keith is back, with a view to reaching an early decision. It would be regrettable in my view if we decided not to back





INMOS with the second tranche of capital, if this cannot be found from private sources, but it would be far worse, and very difficult for our supporters to defend us, if INMOS decided to withdraw to the States simply because of the delay in arriving at a decision.

I am copying this to members of E Committee and to Sir Robert Armstrong.

A handwritten signature in blue ink, consisting of several loops and a long tail.

J P

3 June 1980

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10 DOWNING STREET

*From the Private Secretary*

4 June 1980

*Dear Richard,*

INMOS

The Prime Minister has read your Secretary of State's minute of 3 June. She has noted his suggestion that the Government should be prepared to guarantee the second tranche of £25 million for INMOS, while still pursuing the possibility of replacing this with private capital. She agrees that this whole issue needs to be brought back to E Committee as soon as possible.

I am sending copies of this letter to the Private Secretaries to the members of E Committee and to David Wright (Cabinet Office).

*W. M.*

*Tim Laker.*

Richard Dykes, Esq.,  
Department of Employment

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