



10 DOWNING STREET

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DOI
Welsh

THE PRIME MINISTER
PERSONAL AND CONFIDENTIAL

26 October 1982

Dear Sir William,

Thank you for your letter of 13 October.

I understand the British Technology Group has now submitted a proposal for the Secretary of State for Industry's approval regarding the future financing of INMOS and that this has drawn attention to the achievements which INMOS has made so far and to the encouraging assessment of its prospects which is contained in a report carried out recently by an outside consultant. I do not believe that with the amount of public money already invested in INMOS through the NEB further such funds should be needed. I know that Patrick Jenkin and Kenneth Baker believe that with the progress INMOS has made it ought to be possible to raise the necessary extra funds from outside sources, and that a number of ideas are being pursued at present as speedily as possible.

I wish you and your fellow Directors all success at this important moment in INMOS' development.

Yours sincerely

Margaret Thatcher

Sir William Barlow

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10 DOWNING STREET

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Prime Minister

The background Industry
note is interesting (Flag A)

I have toughened up their
draft letter.

MW 25/10

CONFIDENTIAL



JU5
Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

25 October 1982

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Michael,

Thank you for your letter of 14 October enclosing a letter which the Prime Minister has received from Sir William Barlow about INMOS.

2 The BTG Board decided at its September Board meeting that the success which INMOS' 16K product had achieved with 70-80% of the world share in its specialised sector and the favourable assessment of its future product range by an outside consultant, justified its confidence that private sector money could be raised in 1983 to provide for INMOS' future financing needs, provided the issue of new shares was underwritten by the BTG. However, they accepted the view of their merchant bank advisers that outside finance could not be found immediately, since the Newport factory, though on schedule, was not yet on stream. It was expected there would be a temporary gap in early 1983 for the reasons given in Sir William Barlow's letter. The BTG have approached the Department on this basis.

3 In response, Mr Baker, who has been in close touch with the BTG on INMOS, has made it clear throughout that the Government should not be asked to provide additional funds. He has insisted that a further attempt should be made to attract outside investors. The Prime Minister may like to know that the most likely investor is British Telecom, who have a close interest - and much specialised expertise - in INMOS's area of technology which is of increasing strategic importance to Britain. They have a team working at INMOS urgently and are expected to give their initial report this week. Mr Jeffrey Sterling is involved in the negotiations but my Secretary of State has made it clear to him that the BT involvement is only a runner if it is possible to bring in a number of private investors willing to support INMOS.



4 My Secretary of State has discussed this briefly with the Chancellor and Chief Secretary this morning, and has it in mind to report to the Prime Minister and to colleagues shortly when British Telecom's view is known. This is in keeping with the undertaking which Sir Keith Joseph gave in his minute to the Prime Minister of 8 October 1980. In the meantime I enclose a draft reply which the Prime Minister may like to send to Sir William Barlow.

5 I am copying this letter to Margaret O'Mara (Treasury)

Yours ever,

Candice Varley

for

DAVID SAUNDERS
Private Secretary

DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO

PERSONAL AND CONFIDENTIAL

Sir William Barlow
Chairman, Engineering
Thorn EMI
Thorn EMI House
Upper St Martin's Lane
London WC2H 9ED

Thank you for your letter of 13 October.

I understand the British Technology Group has now submitted a proposal for the Secretary of State for Industry's approval regarding the future financing of INMOS and that this has drawn attention to the achievements which INMOS has made so far and to the encouraging assessment of its prospects which is contained in a report carried out recently by an outside consultant. I know that Patrick Jenkin and Kenneth Baker believe that with the progress INMOS has made it ought to be possible to raise the necessary extra funds from outside sources. ~~To this end, they are pursuing a number of ideas at present as speedily as possible.~~

I don't believe that with the amount of public money already invested in INMOS enough more such funds should be needed.

and that a number of ideas are being pursued at present as speedily as possible.

~~I hope this will assure your position and that of your fellow non-executive Directors.~~

and your fellow Directors
I wish you ~~to~~ full success at this ~~crucial~~ important moment in INMOS' development.

My colleagues in the department of industry colleagues have as you know, made it clear that the government ~~has~~ should not be asked to provide additional funds for INMOS, and I am sure that is the right approach.

①25/10

FILE SW



23/10

Sir William BARLOW

10 DOWNING STREET

From the Private Secretary

14 October, 1982

I attach a copy of a letter which the Prime Minister has received from Sir William Barlow, on behalf of the non-executive directors of INMOS.

I should be grateful if you could let me have a draft reply for the Prime Minister's signature by 23 October. You will wish to know that the Prime Minister has commented on the letter:

"And what has £50m of the taxpayers' money achieved?"

M. C. SCHOLAR

Jonathan Spencer, Esq.,
Department of Industry

AG

FILE SW



10 DOWNING STREET

From the Private Secretary

14 October, 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 13 October.

I shall place this before her, and a reply will be sent to you as soon as possible.

M. C. SCHOLAR

Sir William Barlow

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Prime Minister ①

THORN EMI

THORN EMI House,
Upper Saint Martin's Lane,
London WC2H 9ED
telephone 01-836 2444
telex Thorn London 24184/5

I don't whether

This will appeal to you?

SIR WILLIAM BARLOW
CHAIRMAN, ENGINEERING GROUP

MCS 13/10

13th October 1982.

The Rt. Hon. Mrs. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London SW1.

And what has
£50m of the
company's money
achieved?
mr

Dear Prime Minister,

I am writing on behalf of the non-executive directors of INMOS, namely Martin Harris, Peter Moody, John Sawkill, and myself. As four independent businessmen covering a wide range of experience, we were appointed by the NEB after your Government had approved the second £25 million of capital in the autumn of 1980. None of us have any personal financial stake in INMOS and are serving as a public duty.

Whilst, as you are no doubt aware, INMOS is developing on the lines envisaged when the Government approved the finance, a number of factors have combined to make the Company need more finance at this time. They are that the world semi-conductor market has been affected by recession, the dollar/pound exchange rate has deteriorated, and there have been teething troubles with the new generation of products being developed by INMOS.

As a result, the Company needs to be assured that additional finance of up to £15 million will be available. We are doing our best to get by without this facility but having regard to the legal obligations on us as Directors we are having to restrict the planned production build-up in order to be able to meet the obligations of the Company. However, an independent technical report recently commissioned by British Technology Group was very encouraging and supported the case for further funds to be put into INMOS so as to secure its financial base.

Your Ministers have made clear how unpalatable is the idea of further Government funding for INMOS but nevertheless we are writing to let you know that the four of us feel that this additional investment or facility should be made in the national interest and that it is justified on commercial grounds. Whilst we have faith in the future of the Company and its products we do not find it possible to raise money from the private sector on terms fair to the Government at the present time when the key product, the 64K DRAM is only just entering commercial production. This view has been confirmed by merchant banker advisors.

.../.....

To:- The Rt. Hon. Mrs. Margaret Thatcher, MP.
Prime Minister.

13th October 1982.

A great deal has been achieved in this strategically important semi-conductor business thanks to the Government's foresight in financing the scheme and what it needs now is that bit extra to get the Company into a fully commercial state. The necessary additional cash made available now would in our view result in a higher value being placed on INMOS in due course. It would also be seen as a sign of confidence by your Government in the Company which would be most beneficial to its development.

Knowing that you were personally involved in the decisions on INMOS we felt it would be helpful to let you know our feelings. We have not, at this stage, sent a copy of this letter to anyone.

Yours sincerely,

William Baker.

3 OCT 1982

