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PRIME MINISTER

INMOS

I have read all the correspondence on INMOS which has stemmed from Patrick Jenkin's letter to me of 12 November and have discussed the company's position with Jeffrey Sterling.

2. It goes without saying that none of us would have chosen to set up INMOS in its present form. But unfortunately we are not starting with a clean slate and we have ourselves given the company further support. It is now just about to start production in the UK and it is claimed in several quarters, admittedly largely on the basis of impressions rather than detailed figures, that it has good prospects. Thus there are obvious political difficulties in simply allowing INMOS to run out of money at this stage.

3. Nevertheless, I am very sceptical about whether we should give the company further help. The Hill Samuel letter is presented as an encouraging development. But like every other paper which I have seen on the subject, it does not come within miles of enabling us to form a commercial view. Indeed, it prompts one to ask why private sector funding seems likely to be available in 1983 but not now. The answer, we must suspect, is that no figures have yet been assembled which would persuade any prudent private investor to put up funds. The only fact that emerges from Annex A to Patrick's minute of 19 November is that £84 million has been spent on the "creation" of about 900 jobs. But on the evidence so far produced, one must wonder how long these would last in a truly commercial environment. Lastly, I have seen no figures that would convince me that the proposed increase in the lending ceiling would be for a bridging operation and not just for further funding.

4. Surely if INMOS wants more money, it is essential that it is asked to make a proper financial presentation. This would have to focus on making the financial



case and not just on the quality of INMOS' products which the company seems to be very capable of "selling" in a political sense. I am disturbed by the fact that the long chain of command through BTG to the company has not been able to develop an approach to this problem that begins to look business-like.

5. I am sending a copy of this minute to other members of E Committee, George Younger, Nicholas Edwards, Sir Robert Armstrong and John Sparrow.

(G.H.)

26 November 1982

CONQUEROR



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