

JH 677

cc JV



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

*Agreed -
 is going in
 as equity
 Mr*

21 January 1983

Timothy Flesher Esq
 Private Secretary to the
 Prime Minister
 10 Downing Street
 London SW1

Prime Minister

Agree to Mr Wilcox as

*Chairman of INMOS, subject to any
 comments Sir R Armstrong may have?
 mcs 21/1*

Dear Tim,

In your letter to Jonathan Spencer of 29 December you said that the Prime Minister would like to be consulted about the appointment of a new Chairman of INMOS.

2 A number of names have been considered over the last week or two and in co-operation with the Department the BTG have made enquiries as to their suitability. As a result of these enquiries Sir Freddie Wood and the BTG Board have concluded that their preferred candidate is Mr Malcolm Wilcox, the former Chief Executive of the Midland Bank. In my Secretary of State's absence in the Far East, Mr Baker, after discussing it with Jeffrey Sterling, has given his support to this appointment and Sir Peter Carey has seen Mr Wilcox and established that he will be ready to take the chair of INMOS. With his background in the City, Mr Wilcox should have the ability to impose strong financial discipline within the company as well as to help with the critical task of raising private sector money later this year. As a Board member of the BTG (an appointment he may now need to relinquish) Mr Wilcox knows the background well and understands the need for close monitoring by the BTG of the public investment in INMOS. His time at the BTG has also given him an opportunity to get to know Dr Petritz and the other members of the INMOS Board, including the four non-executive members already appointed to the Board by the BTG.

3 The terms on which the £15 million will be made available to INMOS have now been settled and have been approved by Mr Wakeham, Mr Sparrow and Mr Sterling as well as by my Secretary of State. The funds will not, however, be released until the issue of the Chairmanship has been resolved. Dr Petritz is to be in this country for final discussions at the beginning of next week and I would be grateful if you could let me know by then if the Prime Minister is content for the BTG to appoint Mr Wilcox as Chairman of INMOS.



4 I am sending copies of this letter to those who received yours and also to Richard Hatfield in Sir Robert Armstrong's office.

Yours ever,

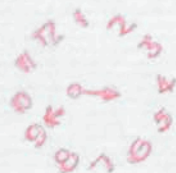
Caroline Varley

CAROLINE VARLEY
Private Secretary

Incl Pat

lamos

21 JAN 1983



RECEIVED

Ind Policy

file

TRP

APPOINTMENTS IN CONFIDENCE



bc JV

10 DOWNING STREET

From the Private Secretary

24 January 1983

Dear Caroline,

Thank you for your letter of 21 January, addressed to Tim Flesher, about the appointment of a new Chairman of INMOS.

The Prime Minister agrees to the appointment of Mr. Malcolm Wilcox to this post.

I am sending copies of this letter to John Kerr (HM Treasury), Adam Peat (Welsh Office), John Gieve (Chief Secretary's Office), Brian Fall (Foreign and Commonwealth Office), Andrew Hudson (Mr. Wakeham's Office, HM Treasury), John Sparrow (CPRS), Jeffrey Sterling (Department of Industry).

Yours sincerely,

Michael Scholer

Ms. Caroline Varley,
Department of Industry.

da

Ind. Pol.

PA

MCS - The Prime Minister
mentioned this today. Jan
Shawed Sec.

CM
15/1

INMOS' PRODUCT STRATEGY

I understand there is no confusion, despite what the Press says. The plan for INMOS' factory at Newport was always that it would manufacture the 64K Dynamic RAM and have the relevant technology and production know-how transferred from the smaller pre-production plant at Colorado Springs. When the Newport factory was finished last spring, there were still teething problems over the production process for the 64K product and so the decision was taken for Newport to begin production with the established 16K static RAM.

The present position is that INMOS are satisfied the problems with the 64K product are over and that they are now able to revert to the plan to manufacture at Newport. I understand the INMOS Board decided to adjust its product strategy at its Board meeting last December. Decisions of this kind need to be endorsed by the British Technology Group which manages the taxpayers' majority investment in the company. The INMOS' decision is to be incorporated into its 1983 Annual Operating Plan which is to be submitted to the BTG in the next few weeks for joint agreement.

FINANCIAL
TIMES

TUESDAY 18
JANUARY

Confusion over Inmos microchip strategy

By Guy de Jonquieres

THE FUTURE production strategy of Inmos, the UK microchip manufacturer which has obtained more than £100m in state backing, was thrown into confusion yesterday by apparently conflicting statements from the company and its principal shareholder, the British Technology Group (BTG).

Inmos said that it would start making its flagship product, a 64-K dynamic random access memory (DRAM), at its plant in Newport, South Wales, in February, three to four months earlier than planned.

The company also said that it no longer planned to step up output at Newport of its first product, a 16-K Static RAM, which is being made in limited volume at Newport and the company's U.S. factory in Colorado.

According to Inmos, these changes were recently approved by its full board with the knowledge of the BTG, which has been told of them before Christmas.

But this was flatly denied by the BTG, which said that the Inmos board still had to meet on the issue.

Inmos's announcement was nonetheless welcomed by officials at the Industry Department, which considers that the 64-K DRAM stands a better chance of finding a large world market than the more specialised 16-K SRAM, whose main applications are in defence electronics.

Inmos said that it had changed its production strategy because of major improvements achieved recently in producing its chip-making lines.



JF2332
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

*So long as it is understood
that the money is
conditional on
a new chairman.
What names do
you suggest?
MS.*

cc JV

24 December 1982

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

Prime Minister

To note X, which is

*not entirely consistent with
your view i but is, I think,
defensible.
MS 24/12*

Dear Michael,

INMOS

You wrote to me on 13 December, to convey the Prime Minister's agreement to the proposals in paragraphs 22 - 28 of Mr Wakeham's minute to her of 10 December, on the assumption that the proposal in paragraph 11 (about a British Chairman) is also agreed and implemented in step with the other decisions. I am writing to bring you up-to-date with developments since then.

2 My Secretary of State saw the Chairman of INMOS, Dr Petritz, on 17 December, to discuss the future of the INMOS chairmanship. He outlined to Dr Petritz the Government's decisions on the provision of additional finance to INMOS, and made it clear that they were conditional on Dr Petritz relinquishing the chairmanship (while retaining his other role as Chief Executive), in favour of a British Chairman. Dr Petritz was clearly disappointed at this news. He outlined INMOS' plan for raising further private sector finance over the next year or so, and said that he had a reputation in the United States for bringing new companies to the market successfully, and thought he was capable of doing the same for INMOS. But he was willing not to press the point. He did however stress that in relation to both INMOS' staff and its customers, it would be desirable to make no reference to a change in the chairmanship until it was possible to announce the name of his successor. My Secretary of State agreed that there was no need for the announcements on funding and chairmanship to be simultaneous, provided that Dr Petritz understood clearly that the question was one of timing and not of substance.

3 Against this background the BTG will respond to press enquiries about the provision of additional funding to INMOS in a low key fashion, once the terms have been agreed about the



dilution of the value of the shareholding held by the founders and employees. (This is likely to be in the first week of January). The BTG are handling the negotiations but are keeping in close touch with this Department about the progress they are making. A full announcement will be made at a later date about both the funding and the appointment of a new Chairman, for whom BTG are searching urgently.

4 I am sending copies of this letter to recipients of your letter of 13 December.

*Yours sincerely,
Jonathan Spencer*

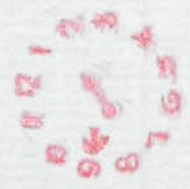
J P SPENCER
Private Secretary

Ind. Pol : CMOS

Pt 2



24 DEC 1982



CONTROL



Ind. Pol.

10 DOWNING STREET

From the Private Secretary

29 December, 1982.

Thank you for your letter of 24 December to Michael Scholar about INMOS which the Prime Minister has now seen. Mrs. Thatcher is content with the approach proposed by your Secretary of State provided that INMOS understands clearly that the additional finance is conditional on the appointment of a new Chairman. In this context she would like to see the names of the candidates the Secretary of State has in mind as soon as possible.

I am sending copies of this letter to John Kerr (HM Treasury), Adam Peat (Welsh Office), John Gieve (Chief Secretary's Office, HM Treasury), Brian Fall (Foreign and Commonwealth Office), Andrew Hudson (Mr. Wakeham's Office, HM Treasury), John Sparrow (CPRS), and Jeffrey Sterling (Department of Industry).

Timothy Flesher

Jonathan Spencer, Esq.,
Department of Industry.

RW

Ind Policy

File

CONFIDENTIAL

BT



cc: John
Verker

10 DOWNING STREET

From the Private Secretary

13 December 1982

INMOS

The Prime Minister has studied Mr. Wakeham's minute to her of 10 December.

She agrees to the proposals in paragraphs 22 - 28, on the assumption that that in paragraph 11, about a British Chairman, is also agreed and implemented in step with the other decisions.

I am sending copies of this letter to John Kerr (HM Treasury), Adam Peat (Welsh Office), John Gieve (Chief Secretary's Office, HM Treasury), Brian Fall (Foreign and Commonwealth Office), Andrew Hudson (Mr. Wakeham's Office, HM Treasury), John Sparrow (CPRS) and Jeffrey Sterling (Department of Industry).

M. C. SPENCER

Jonathan Spencer, Esq.,
Department of Industry

CONFIDENTIAL

SP