

CCNO

CONFIDENTIAL

Prime Minister (2)

I am pursuing DTI for an E(M) paper setting out the options.



AT  
28/3

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

INMOS

File with AT

Norman Tebbit's minute of 29 February invites comments about the future of INMOS. I should like to reserve judgement on the best course until I have seen Norman's response to the questions set out in Andrew Turnbull's letter of 8 March. But in any event we need to clarify our objectives.

2. If our overriding aim is to avoid risking further Government money, then we should dispose of the company immediately. This probably means a sale to AT & T or to some other overseas company for whatever price we can get. There are risks attached to this course. AT & T appear to want the Colorado Springs and Newport factories for their own products, and are likely to decide to close Bristol and abandon the transputer. We would therefore preserve employment at the risk of losing important technology. I suspect it would not be feasible to maintain Bristol and the transputer through a separate disposal. Without a manufacturing facility, the design team at Bristol would almost certainly disperse. The transputer is the property of INMOS. AT & T appear to have a rival product and would probably prefer to see the transputer suppressed. However, this may not be true of other possible purchasers.

3. If on the other hand, our primary objective is to ensure the survival of INMOS products and technology, we must recognise the risk of further Government involvement that this implies.

CONFIDENTIAL



As you have pointed out, INMOS is likely to remain cash hungry for some time. Even if the institutional investors this year provide some or all of the sums which have been mentioned, the source of the further funds which will eventually be needed is not clear. There is a possibility that more money could be raised through a public issue in one or two years' time and that the BTG could then dispose of its investment. But it is by no means certain. So preserving INMOS' independence could prove expensive.

4. If we nevertheless decide that INMOS should be maintained as an independent company, we must make every effort to ensure that the further capital is provided from the private sector, and that the BTG investment is eliminated or substantially reduced at the earliest opportunity. In this case, I suggest we should tell Hill Samuel to proceed urgently with their plan to raise funds from institutional investors and to plan a date for public issue as soon as possible after that.

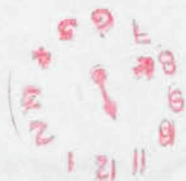
5. Copies of this minute go to the other members of E(A), to Sir Robert Armstrong and to Dr Nicholson.

A handwritten signature in dark ink, appearing to be 'N.L.' with a flourish.

N.L.

19 March 1984

And for INMOS Pt 2



10 MAR 1984