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FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

Kenneth Baker's Office

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Prime Minister:-

*This submission is self-explanatory.
Are you content?*

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

*N.P.C. Mitchell
Duty Clerk 10/3/81*
10 March 1981

Dear Tim,

*Yes - agree terms
of guarantee.
M.T.*

ICL

Following last night's meeting officials here have been discussing the terms and conditions of the guarantee with the Law Officers, CPRS and the Treasury. I attach a note agreed by these Departments setting out the details. I would be grateful if you could seek the Prime Minister's agreement to this; Sir Peter Carey and Lord Benson will be meeting the banks tomorrow afternoon to discuss the terms.

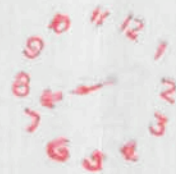
Sir Peter Carey has now spoken to the Chairman of ICL along the lines set out in my earlier letter of today's date. As a result the Board of ICL have agreed to defer consideration of their position under Section 332 until 16 March, or until the details of any guarantee are settled, whichever is the sooner.

I am copying this to Jerry Wiggins (Treasury), Jim Buckley (CSD), Peter Michael (Treasury), the Private Secretary to the Attorney General, Gerry Spence (CPRS) and David Wright (Cabinet Office).

Yours ever,

JONATHAN HUDSON
Private Secretary

10 MAR 1981





DRAFT CONDITIONS PRECEDENT TO GUARANTEE BY HMG TO THE
CLEARING BANKS IN RESPECT OF ICL UNDER SECTION 8 OF THE
INDUSTRY ACT 1972

NOTES

1 The objectives are that:

(a) the Guarantee should be given to the four clearing banks, with ICL as a party to the Guarantee, in such a form that the banks in lending under the Guarantee ensure compliance by the company with the conditions set out below; HMG would have right of recourse under the Guarantee to ICL.

(b) The Government should take security next in line to the named clearers and other current named creditors - preferably with a fixed and floating charge, but if necessary with a floating charge only. The Government guaranteed facility should be drawn on only after both secured and unsecured existing clearing banks facilities have been taken up.

2 The terms of the Guarantee should be for one year in the sum of £100 million to be invoked if the four clearing banks have to make advances over and above their existing commitments (ie £105 million).

The decision to appoint a Receiver, if the position deteriorates during the term of the Guarantee, would require unanimous agreement of HMG and the four clearing banks.



3 The position of HMG in relation to Section 332 requires it to be satisfied that ICL is in no imminent danger of being insolvent or, if it is, there is a reasonable prospect of recovery taking into account the Guarantee.

The conditions which HMG should impose are:

- (1) The Company will seek to renegotiate with its employees the terms of the current Security of Employment Agreement (15 March 1977) in order that payments in respect of future redundancies should be restricted to statutory entitlement under the Employment Protection Consolidation Act 1978. Any more favourable legal rights existing prior to renegotiation would have to be respected.
- (2) The Company must use its best endeavours to bring negotiations with a prospective partner to a successful conclusion as quickly as possible. The arrangements must be acceptable to HMG.
- (3) The clearing banks, jointly with HMG, will monitor and report regularly on these negotiations and on the pattern of the Company's trading activities (where appropriate making use of nominated accountants).
- (4) Mr David Scholey, Warburg, will be appointed by the Board of ICL to take the lead in all partnership



negotiations on behalf of the Company. The Company will act in agreement with HMG and the banks at all stages of these negotiations and on all matters affecting the interests of the Government as user of computers.

- (5) The Company will consult fully with the banks and HMG and take account of their views on the management structure of the Company.

ICL'S REDUNDANCY AGREEMENT

- 1 The Company's redundancy arrangements are contained in its Security of Employment Agreement dated 15 March 1977
- 2 This Agreement was negotiated with the seven staff unions and extended unilaterally to include hourly paid workers though this group has not formally signed the agreement. The only consideration for the agreement was a general undertaking on cooperation but we are advised by [redacted] Lawyers that it must now be presumed to be incorporated as part of the contract of service of all employees.

- 3 The basis of payment is as follows:

Terminal payments as specified in the Employment Protection Consolidation Act 1978 (ie the basic legal entitlement);

plus for staff with up to and including 5 years service, 1 week of full pay for each completed year;

plus for staff with over 5 and up to 20 completed years as above with $1\frac{1}{2}$ weeks of full pay for each completed year over 5;

plus for staff with over 20 years, as above with 2 weeks full pay for each year of service over 20.

In addition to these payments ICL provide a payment equivalent to 10 days pay in lieu of holidays and have a supplementary benefit provision in case of hardship (eg any member of staff with more than 30 years service proving hardship after 30 weeks unemployment would receive 75% of normal salary for a further period of 30 weeks).

- 4 When the Winsford plant was closed, all staff received a special additional plant closure payment of between £1750 - £2350.
- 5 ICL have obviously made redundancy payments well in excess of the basic legal entitlement. The averages so far have been:

hourly paid staff - £1850 (average of 6 years service)
staff - £4000 (average of 8 years service)
managers (ie £11,000 and upwards)
- £10,500 (average of 12 years service)

average age of staff receiving redundancy payments is 35.

The Company believes that it is binding upon it to make payments under its Agreement until this is renegotiated.

- 6 I have spoken about the position on Redundancy payments with the Department of Employment. They point out that:
- (a) under the statutory entitlement the maximum payment is £3900 and the average £1000;
 - (b) in view of the existence of a formal Company Agreement it would be improper for the Company to seek unilaterally to impose a change upon its employees;
 - (c) the line which they recommend is that general commercial considerations should determine the amounts which particular Companies make as redundancy payments.

It follows that they could endorse no more than we set down in Condition 1.