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Sir Peter Carey KCB
Permanent Secretary

DEPARTMENT OF INDUSTRY
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Mr Wolfson
Mr Hoskyns
Mr Ingham.

17 March 1981

Mr C Whitmore
10 Downing Street
London SW1

Prime Minister.

So far so good.

KW

17m

Dear Sir,

ICL

Accompanied by Mr Ryrie, Treasury and Mr Ibbs, CPRS, I again saw representatives of ICL's three lead UK banks and Citi Corp this afternoon and put to them the proposition authorised at the Prime Minister's meeting at 10.45 this morning.

The banks explained that, in what they saw as the deteriorating situation of the company, they did not now regard themselves as having any committed lines. The figure of £50M was what they had judged would be necessary to hold the situation until 10 April, the date which had originally been given to them for conclusion of Mr Scholey's partnership negotiations to the point of heads of agreement. I explained to them the developments since we had last met, namely the progress on negotiations with two US companies and the decision by Government to involve itself in these with the objective of securing their successful conclusion by 30 April. What was required therefore was a period of 6 weeks during which the company's position could be held, customer confidence not further eroded and the negotiations themselves not jeopardised. To effect this, it would be very helpful if the banks were prepared to restore the £70M facilities which had been the figure mentioned on the occasion of the last meeting. We were seeking only a limited undertaking; beyond 30 April, if a partnership had not been agreed - at least in outline - a new situation would arise.

The banks did not reject this proposal outright, but undertook to consider it overnight. They did not themselves raise the question of a Government guarantee, but asked whether we could consider putting in a limited sum of R & D support. I said that we could consider this: we had proposals for such support but the money so supplied had to be used for the purpose for which it was provided and we would need to be satisfied on this score. The banks made it clear however that a sum of around £12M would help greatly to secure the position until 30 April by giving confidence of continued Government involvement.

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The second point they raised concerned the other banks, both in the UK and abroad. If they were prepared to increase their facilities, some way must be found of ensuring that the other banks were given the same sort of confidential information about the Government's position which had been accorded to them. They would consider with Lord Benson how this might be achieved.

It was agreed that we would meet again at 4.00 pm tomorrow. The tone of the meeting was markedly more cooperative than on the previous occasion and there seemed to be a genuine wish on the part of the banks to help insofar as they could do this consistently with their own interest. It was not necessary for me to refer to the guarantee proposal, but I would need to be able to table this tomorrow if the banks in fact reject what we have put to them.

I am sending copies of this letter to those who attended this morning's meeting with the Prime Minister.

Yours ever,

Peter.

Peter Carey

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10 DOWNING STREET

From the Private Secretary

File

*cc: Mr Ingham
Mr Welford
Mr Hoskyns*

*cc: Leon dot
Ld Pres, CSD
CSD, HWT
AH-Gen.
M/S, DOI
D/Emp*

18 March 1981

*D/Trade
CPRS
CO*

ICL

As I told you on the telephone, the Prime Minister has seen your letter of 17 March enclosing a draft of the proposed guarantee, a draft Ministerial statement, notes for supplementaries and a note on Parliamentary procedure. She has asked me to say that she is content with the terms of the proposed guarantee subject to any comments which the Attorney-General and the Chief Secretary may have. She has, however, asked what would be the rate of interest on the Second Special Loan Account Monies: you told me that this was a point for the Treasury to consider.

The Prime Minister has also noted that no decision has been taken on whether share dealing should be suspended in the event of the guarantee being required. This point was raised in your minute of 16 March, but we did not discuss it at yesterday morning's meeting. You told me that your Department and the Treasury would be considering this again in the course of today.

The Prime Minister has not at this stage offered any comments on the draft statement or on the other notes enclosed with your letter.

The Prime Minister has also seen your letter of 17 March reporting on your discussion yesterday afternoon with the lead banks, and she has noted that so far their attitude appears to be better than we had expected. We understand that you are seeing them again this afternoon, and that you will report back.

I am copying this letter to Jim Buckley (CSD), Terry Mathews (Chief Secretary's Office), Jim Nursaw (Attorney-General's Office), Jonathan Hudson (Minister of State's Office, Department of Industry), Richard Dykes (Department of Employment), Stuart Hampson (Department of Trade), Robin Ibbs (CPRS) and David Wright (Cabinet Office).

I. P. LANKESTER

Sir Peter Carey, KCB,
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