



Chancellor of the Duchy of Lancaster

CONFIDENTIAL

Prime Minister ②

✓ C.N.O.  
Chancellor of the Duchy agrees a small increase in the borrowing limit provided search for a buyer starts in earnest. I have minuted to this effect.

PRIME MINISTER

INMOS

AT 12/12

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1. If a sale is a serious possibility then I agree that it is better to give INMOS a bit more rope on the borrowing limit than to indulge in the sale and leaseback operation - particularly as it appears to be a bad bargain. I say this despite the fact that Norman Tebbit's present approach represents a complete volte face compared with the line we were taking in the summer.
2. But I do think the sloppy way INMOS handle and present their financial affairs is deplorable. Quite apart from their habit of plucking figures out the air, we have the sort of discrepancy which occurs over the £50 m to £75 m still required for development. Norman Tebbit's original minute of 2 December stated quite categorically in paragraph 3 that this was "needed ... next year". Paragraph 9 of his minute of 9 December says that this is needed "over the next two or three years": and later it "is not for expenditure in 1984". They appear also to be prepared to throw away some \$3 m on the Colorado Springs lease-back just to keep it off the balance sheet. with AT
3. It isn't good enough for INMOS to be "making and selling chips". They need to be making and selling chips at a profit. So far there haven't been any profits: only forecasts of profits which are then disappointed. I suppose someone somewhere is monitoring INMOS' profitability on a regular month by month basis.
4. But the most important thing is that the opportunity of disposing of INMOS in the light of the interest expressed by GEC and others should be pursued vigorously.
5. I am copying this to other members of E(A) and to Sir Robert Armstrong.

A.C.

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1001 (CN)  
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22 DEC 1983

