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From: THE PRIVATE SECRETARY



Prime Minister ②  
To note

cc 100  
BJ  
NORTHERN IRELAND OFFICE  
WHITEHALL  
LONDON SW1A 2AZ

Andrew Turnbull Esq  
10 Downing Street  
LONDON  
SW1

AT 13/7  
13 July 1984

Dear Andrew,

DE LOREAN

Mr Prior has asked me to write to tell you that the Public Accounts Committee which has been examining the Government's handling of the De Lorean case intends to publish its Report at noon on 18 July. In 1982 De Lorean Motor Cars Limited (DMCL), failed with a loss to the public purse in the order of £70m. Unsecured creditors of DMCL claim losses in excess of £35m. Claims arising from these losses are being pursued in the American bankruptcy court against Mr De Lorean's American company, DMC, which is also in liquidation.

We expect to receive embargoed copies of the PAC Report on 16 July and expect it will be highly critical of Government's handling of the De Lorean project. PAC plan a press conference for 18 July and given the publicity surrounding Mr De Lorean's personal circumstances and particularly his trial on drug charges (which is expected to last well into August) there is little doubt that the Committee's criticisms will be widely publicized.

From their line of questioning, we expect that the Committee's criticisms will focus on the initial decision taken, by the Labour Government in 1978, without an adequate assessment of the project; and on the shortcomings of the nominee directors appointed by the Northern Ireland Development Agency. Further, the Committee seems likely to report that officials failed to detect the misappropriation of a substantial sum of public and private money, which should have been applied to the development of the De Lorean car, because the contractual arrangements made with and by DMCL were unsatisfactory and because the Government's monitoring arrangements were inadequate.

Whilst the Committee is likely to recognise that Mr De Lorean must personally carry a heavy responsibility for the failure of the project we also expect there will be criticism of

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officials of the Northern Ireland departments and the Northern Ireland Development Agency for the failure to safeguard public funds. There may also be implied criticism of Ministers of the present and previous Administrations.

Mr Prior intends to follow the usual convention of avoiding substantive comment on the Report in advance of the formal Minute of Reply which because of the Summer Recess will not be presented until the Autumn. Northern Ireland is first order for oral questions on 26 July and should the PAC Report be raised then the Secretary of State proposes to answer on the lines that the Committee's Report raises major issues which the Government recognises are of genuine and proper public concern. The Report has, however, only just been received and is still being studied. A Minute of Reply to the Committee will be issued as soon as the Report has been fully studied; but given the intricacies of the case and the serious issues raised by the Committee this will inevitably take a little time. As officials made plain in their evidence to the Committee, the main lessons to be learned from the affair have already been taken well on board, and the necessary changes in procedures and arrangements have already been made.

If very strong criticisms of the Government arise as a result of publication of the PAC Report, and my Secretary of State considers there is any need to depart from the usual convention and to make an early more substantive statement, he will consult colleagues further.

A copy of this letter goes to the private secretaries of each Member of the Cabinet, and to Richard Hatfield.

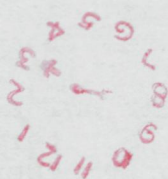
*Yours sincerely,*

*Graham Sandiford*

G K SANDIFORD



De Loren



13 JUL 1984



10 DOWNING STREET

*From the Private Secretary*

16 July 1984

De Lorean

The Prime Minister has seen and noted your letter to me of 13 July. She agrees that your Secretary of State should avoid substantive comment and should follow the usual convention for the handling of PAC Reports.

I am copying this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Graham Sandiford, Esq.,  
Northern Ireland Office.

