

Richard Burden MP



HOUSE OF COMMONS

LONDON SW1A 0AA

John Towers

Phoenix Venture Holdings Ltd
Suite 14 Beechfield House
Winterton Way
Macclesfield
Cheshire SK11 0LP

Our ref: W\RB\030410\TOW

03 April 2010

Dear John,

As you know, this week is the fifth anniversary of the collapse of MG Rover. A lot has been said and written by all sorts of people over the past five years. We both know that there are big differences between our interpretations of a number of key issues relating to the company's collapse and its aftermath.

However, my point in writing today is not to go over those things again, but to focus on one issue that is so important to your former employees. That is the Trust Fund that Phoenix established for their benefit.

You may remember that back in 2004 - well before the collapse - both privately and publicly in the Commons, I suggested establishing a Trust Fund or covenanting arrangement for employees. At the time you were angry about the attacks that were being made in the press and elsewhere on Phoenix's stewardship of Longbridge, and in particular about allegations that you and your fellow directors were "feathering your own nests" rather than looking after the interests of either the company or of your employees. The point I put to you at that time was, that to answer those allegations, you needed to answer the "what if?" question. In other words, what would happen if your plans for MGR did not work out and the company collapsed.

My suggestions for doing that were twofold. First, I reiterated an earlier proposal that you should appoint a number of independent non executive directors to oversee company decisions. Second, I suggested that you set up a covenanting or trust arrangement which would ensure that, in the event of things going wrong and the companies associated with MGR being wound up, resources would be in place to make sure employees would have some security for the future.

You agreed to both suggestions. You responded to the first by appointing Nigel Petrie as a non executive director. You responded to the second by establishing a Trust Board to administer a fund for employees. After the collapse of MGR, Phoenix confirmed that this trust fund would receive the remaining assets of Phoenix companies which did not go down at the same time.

However, although the Trust has been in existence for the best part of the last five years, it has had very few funds put into it and your former employees have received nothing from it. At different times, Phoenix has put forward a number of reasons for this - ongoing investigations into the collapse of MGR, complicated wind up arrangements of remaining Phoenix companies and possible calls on some of the assets involved from other quarters.

I do not want to comment on these things other than to say that Phoenix was in a position to predict some or all of them when you told your employees you were setting up the Trust in the first place. I do not remember your qualifying the assurances you gave to your employees at the time. As far as your former employees are concerned, the company told them it would look after them in the event of MGR going under - but five years on they still haven't seen a penny from the Trust Fund. As many former employees see it, the Phoenix directors are already benefiting from the generous financial arrangements which you put in place for yourselves and will continue to do so in the future. It is a big contrast.

Most former employees are realistic enough to understand that they will not receive a fortune from the Trust Fund. Rather, they see it as unfinished business; as a commitment that was made to them and which should be honoured. I agree with them about that.

So, as the fifth anniversary of the closure approaches, I am writing to you to ask you to end the delay. If you are precluded from transferring assets from former Phoenix companies - at least for the time being - then so be it. You could instead make a start by transferring into the Trust Fund the millions of pounds which members of the Phoenix consortium are expected to receive from the wind-up of MGR Capital. As you know, there are real questions about why MGR Capital was established outside the Phoenix group in the first place. By transferring the Phoenix Consortium's share of the proceeds to the Trust Fund, you can ensure that its proceeds are put to good use and that you do the right thing by your former employees.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Burden', with a long horizontal flourish extending to the right.

Richard Burden MP
Birmingham Northfield