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PRESS RELEASE

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Latest arguments about what happened at MG Rover in 2005 should not obscure what was important then, and what is important now – says Richard Burden MP

The accountants Deloitte have lost an appeal over a regulatory ruling that it failed to manage conflicts of interest in its advice to the MG Rover Group and the "Phoenix Four" directors, who bought the UK carmaker before it collapsed in 2005.

The Tribunal found Deloitte and Mr Einollahi, the partner involved, to demonstrate "a *persistent and deliberate disregard of the fundamental principles*" of the Institute of Chartered Accountants in England and Wales (ICAEW).

Richard Burden said:

"Deloitte's dispute with the Financial Reporting Council is the latest episode in the MG Rover drama which never quite seems to come to an end.

It's highly concerning that the Tribunal found Deloitte and Mr Einollahi failed to consider the public interest as corporate advisers to the Phoenix Four. They appear to have fallen far short of the standards expected of accountants. Deloitte have written to me expressing their disappointment at the outcome of the appeal, and telling me that the implications of the case go well beyond the case of MG Rover. The full Tribunal decision has not been published yet so I cannot comment fully on the ruling at this stage, or on the sanctions that Deloitte will face.

What will say however, is that whatever the relationship between the Phoenix Four and Deloitte, the findings of the 2009 independent inquiry into the way MG Rover and associated companies were financially structured between 2000 and 2005 revealed issues of deep concern.

It's important to remember that the Rover Group could easily have collapsed after BMW pulled out of the company in 2000, or been downsized so suddenly that the impact on the West Midlands economy would have been immense. Studies at the time suggested that over 20,000 jobs were in jeopardy, more of them in companies dependent on Rover than at Longbridge itself. The fact that Longbridge did not go under at that time bought vital time for suppliers and West Midlands economy as a whole, enabling it to diversify and modernise. That safeguarded jobs and, when MG Rover's collapse came in 2005, the job loss across the region was under half what it could have been five years before. And that collapse was not inevitable. It was right

to use those years to try to find a partner that could have safeguarded MG Rover's long term future. Indeed, MG Rover came tantalising close to securing such a deal.

In the event, though, the deal did not happen and over 6,000 Longbridge workers lost their jobs. They lost their jobs having done all that had been asked of them, and their efforts bought time to ensure that West Midlands employees to kept theirs. Were it not for the last Labour Government's enactment of pension protection legislation just weeks before the collapse, MG Rover workers would have lost nearly all of their pensions as well as their jobs.

No doubt the "Phoenix Four" would like to be remembered for keeping MG Rover in business for the five years from 2000-2005, and for so nearly pulling off a deal that could have saved the company. Unfortunately their own actions mean they will not be remembered for those things. Instead, they will be remembered for the way they structured the companies they controlled, for featherbedding their own futures whilst leaving their employees so utterly exposed."

Commenting on the impact of the MG Rover collapse on his local constituency, Richard Burden said:

"Two things remain at the forefront of my mind. First is the contribution of the 6,000+ MGR workers who lost their jobs. Second is the importance of building a new future for Longbridge, and for the communities whose identity "the Austin" factory defined for over a century. The MG Motor Company – and it's European Design and technical centre – are ensuring car making is part of Longbridge's future as well as its past.

But so too are the new Bournville College, the Longbridge Innovation Centre, and the new Longbridge town centre that is at the centre of a £1 billion new redevelopment programme. Today is an important day to remember Longbridge's past, while ensuring the area can climb to the future."

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NOTES FOR EDITORS:

1. The outcome of the Tribunal appeal is available [here](#):
2. The full text of the 2009 Independent Inquiry is available here - <http://www.berr.gov.uk/files/file52783.pdf>
3. Richard Burden is the MP for Birmingham Northfield. More information about Richard's work can be found on his website - <http://richardburden.com/>