

PREM 19/1898

Prime Minister's meeting with
Ted Garrett MP, and Nick Brown MP,
20th March 1986, about Swan Hunter

PRIME MINISTER

March 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
20.3.86							
PREM 19/1898							

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SUBJECT CC MASTER

Filed on PRIME MINISTER
Meeting with Garrett MP, and
Brown MP, 3/86

10 DOWNING STREET

From the Private Secretary

20 March 1986

Dear Jan,

SWAN HUNTER

Mr. Ted Garrett, MP and Mr. Nick Brown, MP, saw the Prime Minister this afternoon about the order for the First of Class AOR. The Parliamentary Under Secretary of State for Defence Procurement was also present. Mr. Garrett had sent the Prime Minister the letter attached, immediately before the meeting.

The Prime Minister said Mr. Garrett had mounted a compelling argument. But there was a considerable gap between the tenders offered by Swan Hunter and by Harland & Wolff. The Government were concerned that there should be equal treatment of shipyards - she noted however that there had on occasion been more than equal treatment when a shipyard was in difficulty - and the Government were very concerned to make sure that there were no cross-subsidies involved on the Harland & Wolff bid. Mr. Lee said MOD had a good opinion of Swans but their price was high both for the AOR and also on the Type 23 which had been offered to them, on which it was possible compare their price with that of Yarrow. It seemed unlikely that there was cross-subsidy within Harland & Wolff. Some of the price gap might well be explained by the partners Harlands had chosen as opposed to those chosen by Swan Hunter. Seventy per cent of the work on an AOR placed at Harland & Wolff would be done on the mainland, by Yarrow and Yard.

Mr. Garrett and Mr. Brown pointed to the risks to the design team if the first AOR were not awarded to Swan Hunter. This could lead to 400 redundancies and remove Swan's ability to bid for first of class ships. Total redundancies might eventually amount to some 2,000. There was a feeling that political factors were playing a part, and that camouflaged subsidies were involved and also that Harlands would expect and receive financial support if the contract went wrong. Mr. Brown enquired whether it would be possible to place the first AOR with Swan Hunter and the second with Harland & Wolff, which would not be running out of work until 1987.

In reply Mr. Lee said that the second AOR would also have to go to competition. However, he undertook to see what might be done to speed up the negotiations over the

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Type 23 for Swan Hunter. The Prime Minister recognised the strength of feeling over the way a Type 22 order had been placed with Cammell Laird rather than with Swan Hunter. She also undertook that the Government would study the tenders with scrupulous care to make sure that no cross-subsidies were involved.

After Messrs Garrett and Brown had left, Mr. Lee explained that HERMES might need major boiler work. If this were agreed with the Indian Government, one possibility might be for the work to be carried out at Swan Hunter. The Prime Minister asked that this should be considered urgently. In view of the way the Type 22 order had gone to Cammell Laird, and because damage to a newly privatised yard should be avoided if at all possible, the Prime Minister feels very strongly that MOD should also consider more generally and urgently what might be done to provide work for Swan Hunter.

I am copying this letter to Jim Daniell (Northern Ireland Office).

*Yours sincerely,
David Norgrove*

DAVID NORGROVE

Ian Lee, Esq.,
Ministry of Defence.



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
LONDON SW1 0AA.

20th March, 1986.

Dear Prime Minister,

We write to you to express our concern over the placement of the order for the first-class Auxiliary Oil ~~er~~ Replenishment vessel. We understand that it is likely that the order will be placed with Harland & Wolff in Belfast rather than with Swan Hunter Shipbuilders on the Tyne.

The possible loss of 2,000 jobs at Swan Hunters, including those of the design team upon which the future prospects of the yards as anything but follow-on builders rely, would be a grievous blow to the shipbuilding industry in the North-East. At Swan Hunters during 1985, we have seen the loss of some 2,800 jobs. The loss of this order would mean the shedding of nearly half the remaining workforce. You are no doubt as aware as we are of the already very high rate of unemployment on Tyneside. The recent problems with the workforce were, we believe, precipitated by the uncertainty about the future, and we have been using our influence to bring the relatively minor action to a halt.

We support the concept of competition in warship building if it is free and fair. We find it difficult to accept that the State owned Harland and Wolff represents such free and fair competition in this case. That Company would be re-entering the warship design and build market after an absence of some twenty years, bringing with it a background of considerable State subsidy which we believe could amount to as much as £10,000 per man per year. Swan Hunters on the other hand, do not have access to intervention funding and interest free unsecured loans, and as a pre-condition of privatisation, left the merchant shipbuilding market.

We understand it is the intention of the Management of Swan Hunter Shipbuilders to pursue vigorously opportunities overseas, and that they have already visited Africa, America and India in pursuit of potential orders. However, unless they maintain their advanced design facilities, they will be unable to take on the overseas competition and therefore will remain tied to a single U.K. customer, if the private company is to succeed, it is totally at the mercy of this single order.

It is vital to Swan Hunter, their workforce, the network of small businesses in the North-East who depend on them and the people of Tyneside that

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20th March, 1986.

Swan Hunter secure the order for the first AOR.

We would request your support for the continuation of an effective war shipbuilding industry on the Tyne.

Yours sincerely,

Ired Garrett M.P.

Wallsend constituency

c.c. Rt. Hon. George Younger
Rt. Hon. Paul Channon
Rt. Hon. John MacGregor

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