



PRIME MINISTER

We agreed at E Committee (E(79)) ⁶15th meeting that the Liberty Maritime order could proceed if the conditions outlined in your summing up could be met. I was invited to explore urgently the financial conditions as they affected Liberty Maritime and Hambros.

I can confirm that the full Liberty Maritime contribution of approximately £ $\frac{1}{2}$ million - £240,000 per ship - will be committed to the order. The contract will stipulate that £40,000 per ship will be paid on signature of the contract, and the remainder would be paid in instalments on building progress. Liberty Maritime have a strong interest in maintaining a good reputation. They operate 22 vessels, of which six or seven are beneficially owned by the three principals of Liberty Maritime. The ships business is arranged on the Baltic Exchange and Liberty Maritime's reputation there would be put in jeopardy if they were to default on a contract. Liberty Maritime are not willing to put more at stake on this order.

British Shipbuilders have sought to secure some positive involvement of Hambros through the provision of finance. But Hambros are only slowly recovering from their heavy losses in Norwegian shipping and are not willing to have more than the role of intermediary.

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The Secretary of State for Scotland has confirmed that he would be prepared to consider the possibility of meeting from his Trade, Industry, Employment and Energy programmes, (TIEE) any excess cost resulting from Liberty Maritime withdrawing from the deal, which cannot be met from BS' cash and loss limits. If the full contingent liability of some £17.6 million were to be required, this could not be met from that part of the TIEE programme allocated to the SDA alone.

I should also confirm that there is no chance of an alternative order from the private sector. You know also that in my view it would be most unwise suddenly to produce a public sector order for Govan. Although the workforce at Govan Shipbuilders have been remarkably disciplined over their anxieties on the future of the Fairfield yard since the letter of intent and the closure of Scotstoun was announced in August, BS, who have taken responsibility for the delay on their own shoulders, have advised me that it is essential for them to be able to say something positive to the workforce on Monday.

I hope therefore that in the light of the assurance that Liberty Maritime are fully committed to paying their financial contribution before launch, and have also their reputation on the Baltic Exchange to consider, you will agree that I can tell BS this

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3

week that we are prepared to authorise the order.

I am sending copies of this letter to E Committee and Sir John
Hunt.

14

K J

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