

PRIME MINISTER

Govan Shipbuilders

Sir Keith Joseph's minute of 5 December asks you to approve the Liberty Maritime Order.

It seems from this minute that he has not been able to satisfy the five conditions which you set out in your summing up of E Committee (Flag A). The five conditions were:

- ✓(i) Liberty Maritime should commit £½ million to the contract.
Sir Keith has met this point.
- (ii) Steps should be taken to ensure that Liberty Maritime comply with the requirements of the Companies Act.
There is no mention of this in the minute, but I understand that Companies House have sent them an order asking them to file their accounts. Whether they will do so, of course, is another matter.
- (iii) There should be a further financial contribution from Hambros.
Hambros have refused.
- (iv) The Government's contribution to financing the order should be conditional on the work schedule for the ships being maintained.

There is no mention of this either; DOI are now trying to negotiate this with British shipbuilders at my instigation.

- There must be something in writing to this effect.*
- (v) Any excess costs falling on the public purse over the proposed £7.9 million subsidy would have to be offset by reductions in the funds available to the SDA.

The Secretary of State for Scotland merely says that he is prepared to consider the possibility of this.

This must be agreed and recorded, that he. See Scotland should sign

On this showing, you would have good reason to reject the proposal. Sir Keith still thinks that a public sector order is totally unacceptable. My own personal view is that unless Sir Keith can come up with further improvements on the package the order should now be rejected. These improvements should consist of the following:

/(i) DOI should

- (i) DOI should insist on the financing being linked to the work schedule for the ships being maintained.
- (ii) Mr. Younger should agree without qualification that SDA funds should be used to offset any increases in extra costs over the £7.9 million subsidy which cannot be met from British shipbuilders cash and loss limits.
- (iii) That Liberty Maritime agree forthwith to comply with the Companies Act.

I do not believe it will be possible to get a contribution from Hambros, but these other three conditions really ought to be attainable.

Do you want to reject the proposal out of hand or do you wish to approve it subject to the three points in the preceding paragraph?

TL
See comments on (i) & (ii). The money must come from SDA. otherwise we cannot get it. and the order card for check. not.

6 December 1979