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From the Private Secretary

11 June 1981

*Dear Godfrey*

MOD Dispersal to Glasgow

The Prime Minister held a meeting at 1730 hours yesterday evening to discuss your Secretary of State's letter to Mr. Heseltine of 1 June, and the correspondence on this subject. Your Secretary of State, Mr. Heseltine, the Chief Secretary, Mr. Hayhoe, and Mr. Blaker were present.

Your Secretary of State said that it was impossible for the Government to go back on its commitment to disperse 1400.. MOD posts to Glasgow. There was already deep suspicion in Scotland that the Government would not honour its commitment to dispersal. He was under considerable pressure to respond to the report of the Select Committee on Scottish Affairs. The problem was that the PSA had no provision in PES for this scheme. He would like to be able to reply to the Select Committee that the Government had considered their views, and had agreed to develop the Anderston site to receive the MOD posts. The Government's reply could then express the hope that the dispersal could take place earlier than previously planned, and at an lower cost. It could go on to say that the question of finance was still under examination. But it was imperative that the question of principle should not be reopened. The Anderston site had been obtained, and was already prepared. The construction of the building would provide two and half thousand jobs, and the majority of these could be filled locally.

The Chief Secretary said that he agreed that the Government could not escape from its commitment to dispersal. But there was simply no provision in PES either for the £20m. required to develop the site, or for the £10m. for the installation of specialised defence equipment. The problem would not be completely solved by arranging for the private sector to construct the building and lease it to the Department. The installation of the specialist equipment would have to be financed from public funds. The proposal would therefore have to be considered as a fresh bid in the PESC review in the normal way. This did not mean that the Government could not commit itself to the development. But it did mean that there could be no commitment to timing. The Chief Secretary said that he would therefore be content if the

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Government's response to the Select Committee was suitably non-committal on the timing of the completion of the Anderston site.

Mr Heseltine suggested that a possible solution would be for the Government's response to the Select Committee to commit the Government to the dispersal of the MOD posts. It could go on to say that the Government were examining various methods of financing the project, including the involvement of the private sector. The statement could then say simply that the completion of the project would depend on satisfactory resolution of the financial arrangements, and that 1986 was the PSA's latest estimate for completion.

Summing up, the Prime Minister said that the meeting was agreed that the Government's response to the Select Committee's report should repeat the Government's commitment to the dispersal of 1400 MOD posts to Anderston. It should not, however, commit the Government to completing the project by 1986, or even to the earlier dates that the decision to develop Anderston rather than St Enoch suggested were possible. The Chief Secretary should consult the other Ministers present at the meeting with a view to producing a suitable draft passage for inclusion in the Government's response. One possible formula would be to state that "on present plans, the project was expected to be complete by 1986". The Prime Minister said that the Ministers concerned should note that the proposal should be considered as a fresh bid in the next PESC review in the normal way. Mr Heseltine and Mr Younger were free to pursue sources of private finance for the project if reasonable terms could be obtained.

I am copying this letter to the Private Secretaries to the other Ministers present.

*yours*  
William Rickett