

HM
Argentine
B/C: JV ✓
FILE

10 DOWNING STREET

From the Private Secretary

7 July, 1982

ⓐ

CUNARD

The Prime Minister has seen your Secretary of State's minute of 6 July.

She agrees with him that there is no prospect of intervening to influence Cunard to buy British.

I am sending a copy of this letter to Mike Hopkins (Northern Ireland Office) and John Rhodes (Department of Trade).

M. D. S. 10/11/82

J Spencer, Esq.,
Department of Industry

CONFIDENTIAL



PRIME MINISTER

Top Copy on Nat Ind,
Shipbuilding Policy,
①
Prime Minister
Pt 3

Content that forward
there should be no intervention
in this situation?

Yes
MS

MCS 6/7

I think you should be aware that Cunard are likely to order from the Far East a prestigious third generation container ship which BS have tendered for. This order is Cunard's contribution to the ACL Consortium. The other shareholders are French, Dutch and Swedish.

2 There is likely to be a strong public reaction to this. Cunard have given the impression that the order only arises because of the loss of the Atlantic Conveyor and that the compensation (£9.27m) will go straight to finance a Far Eastern purchase. In fact, before the Falklands crisis Cunard had gone to tender for the order and were contemplating arrangements for the sale of the Atlantic Conveyor. The link between the order and the loss of the Conveyor is not therefore as close as portrayed publicly. However, the loss of a prestige order will also be used as an argument that we should give even more support to the shipbuilding industry. Since coming into Office we have provided nearly £600 million to British Shipbuilders. Even so we have the difficulty that the French and Swedish members of ACL will probably place their orders in their national yards.

3 We cannot see any way in which Cunard can be influenced to "buy British". The price gap between the Japanese and South Korean prices and BSC is of the order of \$30 million though some allowance has to be made for foreign currency risks and inferior



credit abroad which would reduce this gap somewhat. It would have been wrong to attempt to use the compensation paid for the Atlantic Conveyor to influence the Cunard decision. The Government is obliged in law to pay the value of the lost ship, and would be taken to arbitration if we failed to do so in full. We have on occasion authorised BS to use soft credit to win such UK orders but on legal grounds this is challengeable by the Commission and we have restricted its use to where there is no EC competition. In this case there is French and German competition. Moreover, at present the Commission are being rather difficult about our application for the further tranche of Intervention Fund for the shipbuilding industry agreed by Ministers in March. Even if we were to take the risk, it seems doubtful whether BS could accommodate the cost of credit within their loss limit for this year of £10m after Intervention Fund assistance.

4 I have carefully considered whether an intervention by you could secure this order but I see no chance of Lord Matthews moving unless he is promised substantial aid.

5 A copy of this letter goes to Jim Prior and Lord Cockfield.

PJ

PJ

6 July 1982

Department of Industry