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Prime Minister

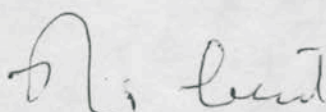
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MS 27/9

The Rt Hon Cecil Parkinson MP
Secretary of State for Trade
and Industry
Department of Trade and Industry
1-19 Victoria Street
London SW1H 0ET

ml

27 September 1983



Thank you for sending me a copy of your letter of 14 September to George Younger about the troubles affecting British Shipbuilders' operations in Scotland. There are aspects about the Scott Lithgow situation which gives me cause for concern.

My first anxiety is about timing. If the closure of Scott Lithgow is seen to be inevitable as early as mid-October it may affect BP's prospects of getting their rig out. Unless the mating process is completed and the rig became mobile before then union action may prevent BP getting access to it. I assume that proper account will be taken of that. Beyond that, however, I am concerned about the effect on Cammell Laird's chances of winning the order for Sun Oil's floating production facility for the Balmoral field. If an announcement of the cancellation of the Britoil rig was made just as Sun were receiving or evaluating bids they might well wonder what the future of British Shipbuilders Offshore Division (BSO) actually was, and, furthermore, whether they could risk placing an order there without a Government guarantee that the structure would be completed. Since, presumably, no such guarantee would be forthcoming this could effectively deprive Cammell Laird of the order and this, in turn, would throw further doubt on BSO's survival. Troublesome and unsatisfactory though BSO have been so far, we do not wish to lose their semi-submersible construction capability. An announcement before the end of November might well trigger those unacceptable consequences and I hope very much that you can delay it till then.

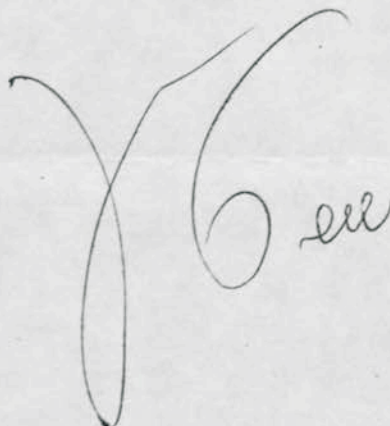
I am bound to say that I do not like losing the Britoil rig. The weakness of the UK drilling fleet is having an increasingly damaging effect on the UK content of North Sea procurement. Our steady advances in the service, equipment and construction sectors are in large part negated by our weaknesses in the marine phase. The Britoil rig - the most technologically advanced of its type - would have been a valuable addition to the fleet.

Is it really too late, I wonder, to try and save it? Two thoughts occur to me:-

- (i) Britoil and their partners might be persuaded to complete the construction, using another, but this time a tried and proven, contractor who would be given an advantageous lease on all or part of Scott Lithgow's site; or
- (ii) another drilling contractor might be persuaded to take on the rig and complete it provided that Britoil maintained the conditions of the charter - ie 6 $\frac{1}{2}$ years at enhanced day rates.

I am not overly optimistic that either of these options would work but, if, as I hope, the fate of the Britoil rig (and hence of Scott Lithgow) is not made public till end-November that gives us a little time and I would be glad to ask my Offshore Supplies Office urgently to explore the possibilities with the parties concerned if you think it would be useful.

I am copying this letter to the Prime Minister, Geoffrey Howe, Nigel Lawson, Michael Heseltine, George Younger and Sir Robert Armstrong.

A large, stylized handwritten signature in black ink, consisting of a large 'P' and 'W' followed by 'ell'.

PETER WALKER

NAT IND : Ship building
Pt 5

27 SEP 1983



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The Rt Hon Cecil Parkinson MP
Secretary of State for Trade & Industry
Department of Trade & Industry
1/19 Victoria Street
LONDON
SW1H 0ET

7 October 1983

R. Lawson

BRISITH SHIPBUILDERS - BORROWING LIMITS

Thank you for sending me a copy of your letter of 30 September to Nigel Lawson.

I am content with your proposals, but I would be grateful for your reaction to my letter of 27 September. As I said in that letter, the future viability of some parts of British Shipbuilders gives cause for concern, and the timing of announcements is crucial. I trust therefore that the figures in your Annex relating to the Britoil contract do not imply that you regard that contract as now being beyond recall.

Copies go to colleagues on E(NI), John Biffen and John Wakeham

Peter Walker

PETER WALKER

Next Ind
Shipbuilders
Pt 5



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NBPM

AT 17/10

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JF4494
Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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13 October 1983

SECRET

The Rt Hon Peter Walker MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1P 3QJ

Dear Peter,

Thank you for your letter of 27 September about Scott Lithgow.

2 Of course I understand your concern about the BP rig and the Sun Oil floating production facility, as well as the loss of the Britoil rig. I cannot, however, offer any assurance about the timing of the news that the contract may be terminated, although I hope that this can be delayed for the reasons you outline. I understand that the timing of Sun Oil's decision depends in part on your Department's approval of the development of the Balmoral Field. It will clearly be helpful if this can be given as soon as possible.

3 Like you, I am not optimistic about the suggestions which you have made for saving the Britoil rig. I have, of course, also to consider both the costs which might arise if such courses were followed and the effect which they might have on the strategy which we are developing with Graham Day for the future of BS. While time remains available, however, of course we must explore all the options and I will ask officials of this Department to arrange urgent discussions with the Offshore Supplies Office. I should however emphasize that that BS' contractual position with Britoil must not be jeopardised, and I would therefore be grateful if OSO would refrain from approaching any other parties at present.

A I ...



SECRET

4 I am copying this letter to the Prime Minister, Geoffrey Howe, Nigel Lawson, Michael Heseltine, George Younger and Sir Robert Armstrong.

Yours

*Ever,
Leah*

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Ship building
p23



17 OCT 1988

