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MR. TURNBULL

BRITISH SHIPBUILDERS - BORROWING LIMITS

While Government is battling to bring public expenditure under control, it is quite extraordinary that DTI should propose to increase BS's borrowing limit by 50% to £1200 million. (Cecil Parkinson to Nigel Lawson on 30 September.)

DTI's argument is weak because it assumes that BS should go on trading as disastrously as in the past. In fact, they are under orders to return the warship yards to the private sector, reduce excess capacity in the merchant and offshore divisions, sell or close the shiprepair and engineering activities, and generally improve the performance of the business. By these means BS should reduce their claims on the Exchequer, not ask to add £500 million to the £700 million they have already borrowed.

The timing is also weak. Later this year the new Chairman of BS is due to produce his strategy for reducing BS' merchant and offshore business to a "viable core". Redundancies in shipyards are expensive, so there may be a case for earmarking finance for such costs once their extent is known. There may even be a case for earmarking termination costs for the Britoil rig if and when BS and Britoil negotiate termination. But there is no case for authorising now such a huge increase in borrowing limits for largely unspecified purposes.

The Treasury should have no difficulty in rebutting DTI's case, but if the Prime Minister is called upon to adjudicate she should firmly dismiss it.

*R.Y.*

Note  
Spoke to N Owen. Did not send to PM as I felt raising of borrowing limit did not necessarily imply softening on BS. Agreed, however, that Policy Unit should be alert to any danger signals.

AT 5/10

ROBERT YOUNG  
3 October 1983

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