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8th December 1983

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9/11CHANCELLOR OF THE EXCHEQUERINTERNATIONAL MILITARY SERVICES LTD: PROVISION IN THE
ROF BILL

I am circulating a Memorandum to Legislation Committee seeking approval for the introduction of a Bill to change the status of the Royal Ordnance Factories; this Bill contains provisions on International Military Services Limited (IMS Ltd) and the purpose of this minute is to seek your formal agreement that it should do so.

2. When IMS shares were transferred to the Secretary of State for Defence in 1979, the then Minister of State for Defence gave an assurance that legislation would be introduced as soon as Parliamentary time permitted to make the necessary provision for financial backing for the Company. On two subsequent occasions the PAC showed an interest in financial relationships with IMS and the assurance was repeated by the then PUS that an early opportunity would be taken to introduce legislation to put on a proper footing the continued acceptance of financial liabilities. There is in fact no expenditure involved in the relationship with IMS but the existence of a contingent liability is regarded as a continuing function which requires statutory authority rather than the present method of putting a footnote to estimates.

3. Proposals have been prepared and put to a Legislation Committee during the last three years but it has not been possible to include even this short Bill in the legislative programme because of pressure on the programme. The ROF Bill presents us with an opportunity and a



draft clause has been prepared which authorises and limits the acceptance of the contingent liability. It provides statutory cover for sums paid by the Secretary of State in connection with the share-holding in IMS and in consequence of arrangements for financial support to the Company to be paid out of money provided by Parliament; and for sums received to be paid into the Consolidated Fund. The limit placed on liability under the arrangements for financial support - which has been agreed by my officials with yours - is £50M with a further £50M available on affirmative resolution.

4. I hope that in view of the undertaking given in 1979 and subsequently and the previous attempts to find room for a short Bill in the legislative programme, you will be content with the insertion of the necessary clause in the ROF Bill as envisaged in my Memorandum to Legislation Committee L(83)152 of 8th December.

5. I am sending copies of this minute to the Prime Minister, the other members of E(A), the Home Secretary and Sir Robert Armstrong.

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Ministry of Defence

8th December 1983



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Treasury Chambers, Parliament Street, SW1P 3AG
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13 December 1983

The Rt. Hon. Michael Heseltine MP
Secretary of State for Defence

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17/12

Dear Secretary of State,

**INTERNATIONAL MILITARY SERVICES LTD:
PROVISION IN THE ROF BILL**

You wrote to me on 8 December about the insertion of a clause on International Military Services Ltd in the Ordnance Factories and Military Services Bill.

I agree that provision should be made in the Bill to cover your contingent liabilities towards IMS Ltd. I understand that a suitable clause has been included in the draft Bill presented to Legislation Committee for their meeting today.

I am copying this letter to the Prime Minister, other members of E(A), the Home Secretary and Sir Robert Armstrong.

Yours sincerely,

Margaret O'Hara

NIGEL LAWSON

*(Approved by the Chancellor
and signed in his absence)*

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