

CONFIDENTIAL

cc Mr. Redwood

MR. TURNBULL

SCOTT LITHGOW AND BEYOND

I am minuting you as a precaution only, in response to George Younger's note of 17 January and Peter Walker's follow up of 19 January.

As you know, it is entirely possible that Scott Lithgow is just the first of a series of forthcoming major contractions in industrial Scotland. The BL Bathgate plant, the BSC Ravenscraig plant, and all the merchant yards of British Shipbuilders will come under scrutiny by Government in the near future.

In these circumstances, it would be unwise to approve Mr. Younger's request (b), viz. £30/£35 million of extra funds for the SDA in hasty response to the Scott Lithgow problem. There will almost certainly be claims for repeat gestures if we make the first, and we should be clear what the total bill might be before we proceed.

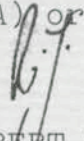
As to Mr. Younger's other requests, we should:

(a) encourage BS to find a third party buyer for Scott Lithgow. A third party may well be based overseas, but we should not put up barriers on that account. We cannot afford to. "Encouragement" with public funds should be a matter of last resort, not first;

(c) examine the Enterprise Zone idea by all means, but without commitment;

(d) recognise that Graham Day's efforts are and should be directed towards identifying whether there is a viable merchant shipbuilding business in the UK. He was not appointed to preserve shipbuilding employment for its own sake.

At the risk of becoming boring on the point, I hope I may again emphasise the importance of getting these industrial issues before E(A) or E(NI) quickly. They do not improve with keeping.


ROBERT YOUNG
20 January 1984

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