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Secretary of State for Trade and Industry

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COMMERCIAL IN CONFIDENCE

16 February 1984

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Prime Minister ②

While BS are being told that
the TH bid would be acceptable,
the door is being kept open for
other bidders, though a time limit
is being set

ms

AT

16/2

R Graham,

I am replying to your letter of 9 February to Norman Lamont about Scott Lithgow (SL) and your conditional agreement with Trafalgar House (TH).

First let me say that I am broadly content with the terms of the conditional deal you have negotiated with TH. I congratulate you and your team for having achieved this much in such a difficult situation and in a short time.

I am content that you proceed to try to negotiate a full agreement, subject to three points.

First, in pursuit of the clean solution you, and we, desire, I would prefer it if TH could be persuaded to buy the SL assets rather than lease them, even if payment were deferred for 3 years. This of course may or may not be negotiable.

Second, the Secretary of State for Defence would like as a safeguard to see a clear statement in the full agreement of TH's responsibility for completing all existing MOD contracts.

Third, you will appreciate that I cannot give any specific assurance about the future eligibility for regional aid of an operation on the SL site. Applications for aid will, as you know, be dealt with in the light of the recent White Paper on regional policy, Cmnd 9111.

In short, I can tell you that a deal along the lines you have put to us would be acceptable, in the absence of a better proposition.

You will appreciate, however, that you will have to seek our consent formally if and when a deal is firmed up.

This broad approval does not signify consent to your confining discussions to TH alone.



My sole criterion, in giving my consent to any final agreement, with any party, will be that it is the best possible deal for BS and for the taxpayer. I of course expect you to advise me on this in the light of your commercial judgement about what is in the best interests of BS. To this end, you should facilitate all serious potential purchasers of SL, by which I mean doing the utmost that is possible, within your resources and within the time available, to provide information and anything else that is necessary for potential bidders. You should also consider which, of any actual bids that are made for SL, is the most advantageous for the taxpayer.

Further, I do not wish you even to propose any agreement, conditional or otherwise, to the Government, unless you are satisfied that this is the best deal that can be done for BS and ultimately the taxpayer, given the timing needs of the ultimate customers and any other considerations which are, in your commercial judgement, relevant.

g s s
Norman

NORMAN TEBBIT