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PRIME MINISTER

File
Shipbuilding file

There is a dispute between Mr. Heseltine and Mr. Tebbit on how best to proceed on the Type 22 orders. The original tenders have been withdrawn because, as Mr. Tebbit explained yesterday, the basis of the original Cammell Laird tender has changed.

(i) Mr. Heseltine argues that a meeting on the economic, industrial and political implications of the various outcomes (in particular a decision not to use Cammell Laird) should be held before re-tendering starts.

(ii) Mr. Tebbit argues that new tenders should be sought first, and the results fed into wider consideration of all the factors.

Logically, Mr. Tebbit must be right, but as the customer, Mr. Heseltine holds the whip hand. Mr. Tebbit is therefore prepared to agree to Mr. Heseltine's sequence. A meeting of E(A) is likely soon after Easter, taking papers from the two Ministers.

AT

MS

13 April, 1984.



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MO 21/8/5

13th April 1984

Dear Andrew,

LIVERPOOL

We spoke earlier today about your letter recording the outcome of the Prime Minister's meeting yesterday on Liverpool. In your final paragraph you record the Prime Minister as saying in her summing up that "the tenders for the Type 22 frigates should be expedited and the issue should come to the relevant Committee of Ministers as soon as possible". I told you that Mr Heseltine is quite clear that it is the issue of going out for new tenders which needs to be discussed by Ministers.

Your letter quite rightly refers to the fact that all previous tenders for the Type 22 frigates have been withdrawn; but it is not correct to say that we are awaiting new tenders: none have been sought. Mr Heseltine's concern, as he explained in his letter of 10th April to the Secretary of State for Trade and Industry, is that the very act of going out to re-tender will carry implications for Merseyside since it is known that Cammell Laird submitted the lowest tender in the previous exercise. Before instructions are given for a new exercise he wishes his colleagues to consider the possible political consequences of taking this route, together with the options available, the range of outcomes and the possible social, economic and political consequences. I am told by the Cabinet Office that E(A) would be the appropriate forum for such a discussion and we will prepare a paper for the Committee to consider soon after Easter.

I am copying this letter to the Private Secretaries of those Ministers who received a copy of yours.

Yours ever

Nick Evans

(N H R EVANS)
Private Secretary