



*Chancellor of the Duchy of Lancaster*

PRIME MINISTER

WARSHIPBUILDING

I may not be able to leave the House in time for the start of today's meeting of E(A).

I am therefore setting down my views below.

1. The indication is that if the order went to Cammell Laird we would end up with at least two unprofitable yards and possibly more. But if the order went to Swan Hunter we would have four yards, all potentially profitable. On any commercial basis therefore, and subject to the outcome of the actual tender, the order should go to Swan Hunter.
2. Because of the political aspects it is I believe essential that we should go to tender so that - assuming this is the position - Cammell Laird's inability to tender successfully would be publicly demonstrated and we would have complied with John Nott's promise. But it is very important that the tender should be genuine ie that there should be no concealed subsidy by British Shipbuilders.
3. Graham Day's fallback position of merging Cammell Laird with Vickers is the worst possible solution as it ties the millstone of a loss maker around the neck of a potentially profitable company.
4. On privatisation, I agree with the Secretary of State for Trade and Industry that the preferred course is to sell the yards individually. Where the main customer is the Government itself it is very important to maintain a competitive situation.

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5. In the absence of the much-delayed corporate plan, it is neither easy nor satisfactory to take decisions in this piecemeal fashion.

*J. Birch*

Approved by  
the Chancellor of the Duchy of Lancaster  
and signed in his absence

10 May 1984



*Chancellor of the Duchy of Lancaster*

PS/Prime Minister  
(Mr Turnbull)

cc Mr Hatfield

I attach a note from Lord Cockfield in  
connection with this afternoon's E(A).

In view of the timing, we have not circulated it.

A handwritten signature in blue ink, consisting of a stylized 'S' and 'B' intertwined.

SEBASTIAN BIRCH

10 May 1984