



NBPM
AT 16/5
CCMO

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~922222~~ 218 2111/3

MO 26/3/1

16th May 1984

Dear Cathum,

WARSHIPBUILDING

Your Secretary of State wrote to mine on 17th May about future Ministry of Defence orders for warships. Mr Heseltine is currently in Brussels but the terms of this response have been cleared by Mr Pattie on his behalf.

I can confirm that the Annex attached to your Secretary of State's letter represents our estimate of future ordering intentions for major steel surface ships. These average 4 per year, as reflected in Mr Tebbit's previous paper for E(A). But the total demand for warshipbuilding capacity is likely to be higher, for the following reasons;

- a. Submarines. The MOD assessment is that capacity at Vickers will be fully taken up in building the Trident boats - indeed significant recruitment will be necessary at Barrow to meet this commitment. Vickers will therefore not be available for building conventional submarines between about 1986 and 1992, during which time we plan to order one Type 2400 submarine per year (SSK 03-09). This will mean that another submarine builder will be required: possibly 2 if we are to achieve the competition we seek.
- b. Refits. Refits of submarines and surface warships have normally been undertaken in the Royal Dockyards. As part of Mr Heseltine's drive towards competition, two refits (one frigate and one submarine) will be put out to contract later this year, and the MOD has made financial provision accordingly. Subsequent placement of work will depend on the outcome of these two refits, and also on whatever proposals emerge from current studies of the management of the Royal Dockyards. For planning purposes we envisage 1 ship being refitted commercially at any one time.

M C McCarthy Esq



c. Other steel work for MOD. The Annex to Mr Tebbit's letter already includes the Sir Galahad replacement. A contract will also be placed later this year for the extensive repair (or the replacement) of the Sir Tristram. In addition, and as demonstrated by the Balder London case, ad hoc requirements may arise for conversion of merchant vessels for RN use. And in the longer term, the replacement of amphibious shipping (HM Ships FEARLESS and INTREPID) may be considered. Financial provision has not yet been made, but we believe it would be wrong to ignore such possibilities in our assessment of the warshipbuilding capacity we need. Clearly we would not wish to rule out in advance the option of placing extra orders.

d. Exports. We should not rule out the hope that capacity may be needed for warship exports. Vosper's have good prospects of selling frigates to Pakistan and there is a prospect that Australia may order SSKs from UK yards. Similarly there is always the possibility of refit or refurbishment work for export (Vosper's have secured the work on 3 Tribal class frigates sold to Indonesia).

e. Merchant work. The accepted wisdom is that merchant work cannot be profitable. Even so it is not inconceivable that, for example, Swan Hunter under private ownership may see benefit in undertaking commercial work, on a no-loss basis with Intervention Fund subsidy, as a means of keeping facilities open and skills available.

f. GRP. The original paper did not address GRP capacity, but our estimate of future orders is as follows:

Hunt class MCMV 12 and 13 1984/85

Single role minehunter 01 1984/85

02 - 05 1987/88

06 - 10 1989/90

11 - 15 1993/94

MCM rapid route surveillance craft - 1 per year from 1990/91 (could be a hovercraft)

If competition is to be achieved GRP facilities at both Vosper's and Yarrow's would need to be retained.



Not all the factors affecting steel warshipbuilding are individually quantifiable. But taking them together, our estimate is that the true comparison may be between capacity for 8 ships per year and demand for 5½ or 6.

I am copying this letter to the Private Secretaries of other members of E(A) and to Richard Hatfield in the Cabinet Office.

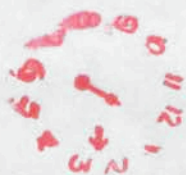
Yours ever

Nick Evans

(N H R EVANS)

Nationalised Industries Pt 6

Shipbuilding



16 MAY 1964



JF6514
Secretary of State for Trade and Industry

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11 May 1984

CONFIDENTIAL

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON
SW1

R Michael.

WARSHIPBUILDING : FUTURE MOD ORDERS

In order to prepare the paper commissioned by the Prime Minister at yesterday's meeting of E(A), I need to have a firm statement from you on the future pattern - in terms of timing, and ship type - of Ministry of Defence orders.

2 Attached is a note by your officials, which was given to my officials in March of this year, and underpinned the statistical annexes attached to my E(A) paper.

3 Could you please confirm that these remain MOD's estimates of its order intentions? If they are not, I need to know in precise terms how your present order intentions differ.

4 These estimates relate only to surface steel ships. In order to get a full picture, I need also to have a statement from you on present order intentions in respect of submarines, GRP and refit work.

5 I appreciate that later years' figures will grow increasingly uncertain; but the first three years' figures will no doubt be what you are currently using for PESC planning.

/6 I am ...



6 I am sorry to have to ask for a very rapid response on this, but I shall need to have your response no later than Tuesday, 15 May so that I can meet the tight timetable that I have been set by E(A).

7 I am sending a copy of this letter to other members of E(A) and to Sir Robert Armstrong.

Norman

NORMAN TEBBIT

Encl

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<u>Financial year</u>	<u>Vessels that may be ordered</u>
1984/85	T22 - 13 T22 - 14 T23 - 01 1x Logistic Landing Ship (Sir Galahad replacement)
1985/86	T23 - 02 T23 - 03 Castle Class (OPV(II) - 03 OPV(II) - 04 AOR - 01
1986/87	T23 - 04 05 06 07 08 AOR - 02 AOR - 03
1987/88	T23 - 09 10 11 12
1988/89	AOR - 04 05
1989/90	T23 - 13 14 15 16
1990 /91	T23 - 17 18 19 20 AOR - 06 07
1991 /92	Nil

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Financial year

Vessels that may be ordered

199₂/93

T23 - 21
22
23
24
25
26
27
28
AOR - 08
09

1993/94

Nil

1994/95

T23 - 29
30
31
32
AOR - 10
11

NAT IND : Shipbuilding: Pt 6.

14 MAR 1994

