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18th October 1984

PRIVATISATION OF WARSHIPBUILDING

Norman Tebbit wrote to me on 4th October about warship and refit orders which we are expecting to place in the near future, drawing attention to the need for decisions on these orders to be taken before the sales documents for the warshipbuilding yards can be finalised.

I shall of course be consulting colleagues about the placing of the order for Type 22 frigates which we discussed collectively earlier in the year. Although it is not possible to be precise about the timing, I hope that we can clear up this long outstanding matter before the end of 1984. I understand that this is within the timetable to which British Shipbuilders are working in the case of the yards competing for this order, namely Cammell Laird, Swan Hunter and Vosper Thornycroft.

As regards other orders, I must say that there could be some difficulty in seeking to tune the timing of decisions to the timetable for privatisation. Several major tendering exercises are at present in train or about to begin, with anticipated ordering dates stretching from early to late 1985. It would not be practicable to seek to compress these complex processes; nor would it be desirable, given the large sums of money at stake. In any event, as decisions are taken on individual orders, so further tendering exercises will be

Norman Lamont Esq MP

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mounted for subsequent orders. The uncertainties to which Norman referred in paragraph 4 of his letter will therefore always be in the background. In the circumstances, I suggest that awkwardnesses over the timing of the issue of sales documents can best be handled if our officials continue to keep in close touch over the progress of individual tendering exercises. British Shipbuilders can then decide whether to adjust their timing slightly to take account of any imminent decisions.

In the particular case of the refit of the submarine HMS OTTER, which Norman mentioned, you will wish to be aware that I am now in a position to place the order. It will go to Humber Ship Repairers, a private sector yard, who have won the competition by a convincing margin. At the same time, I shall be placing an order for the refit of the frigate HMS EURYALUS with Tyne Ship Repairers, also a private sector yard. British Shipbuilders yards have competed, unsuccessfully, for both these orders. I should be grateful if the results of these competitions could be treated as confidential until the firms concerned have been told. Our officials should again keep in touch on this.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and Sir Robert Armstrong.

for ever
A handwritten signature in dark ink, appearing to be "Michael Heseltine".
Michael Heseltine

Econ Pol : Privatisation : Pt 11.

18 OCT 1984

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Secretary of State for Trade and Industry

4 October 1984

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

PRIVATISATION OF BRITISH SHIPBUILDERS WARSHIP YARDS

As you know, British Shipbuilders are getting on with the process of preparing the warship yards for sale, and I understand that they and Lazards have been in touch with your officials about a number of questions including future orders.

2 The orders placed in the near future will of course be crucial both in determining the prospects for privatisation of the warship yards as a whole and in resolving the overcapacity problem.

3 The most important element in this is, as we have long recognised, the placing of the orders for the two Type 22 frigates on which I understand that you have now received revised tenders. But other major orders, such as the refit of the submarine HMS Otter are also likely to be important. BS will not be able to issue sales document for the yards affected by these orders until the orders have been placed.

4 It is important therefore that decisions on them should be taken soon in order to resolve the uncertainties and to allow privatisation to proceed. Your officials have kept in touch with mine on the progress of the various tenders to date. However, in view of the importance of these orders for overcapacity and privatisation I would be grateful if you would let me know what you propose before any final decisions are taken.

JH3BCI



5 I am copying this letter to the Prime Minister, the
Chancellor of the Exchequer and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Norman Tebbit', written over a horizontal line.

NORMAN TEBBIT



L-5 OCT 1984

