



From the Minister of State for Industry

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Norman Lamont MP

CONFIDENTIAL

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

7 December 1984

Dear Michael

PRIVATISATION OF WARSHIP YARDS

Thank you for your letter of 27 November agreeing to the announcement of the early sale of Yarrow and Hall Russell.

I am however concerned about your remarks about the future of Cammell Laird which is of course a matter for collective consideration. I think a very early discussion by E(A) of the orders for the Type 22 frigates and the implications of those orders for British Shipbuilders' warship yards is highly desirable. I understand that a meeting of E(A) has been fixed for 13 December at which this could be discussed.

I am sure you realise that the implications of placing an orders for a Type 22 frigate with Cammell Laird if they are not the cheapest go well beyond the Defence budget. We would need also to consider the extra job losses at the British Shipbuilders' yard which would otherwise have won the order, the extra under-recoveries that would be caused for British Shipbuilders and the effect on the privatisation programme.

I am copying this letter to the Prime Minister, to other members of E(A) and to Sir Robert Armstrong.

NORMAN LAMONT

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Econ Pol: Privatisation P711

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27th November 1984

PRIVATISATION OF WARSHIP YARDS

Thank you for sending me a copy of your letter of 14th November to Peter Rees about British Shipbuilders' proposed strategy for the privatisation of their warshipbuilding yards.

As I explained to you over the telephone this afternoon, I am content for you to announce the early flotation of Yarrow and Hall Russell on the understanding that my agreement to this does not in any way commit me to acceptance of Graham Day's general strategy for British Shipbuilders. As I said, the proposal to award both orders for Type 22 frigates to Swan Hunter would have clear, and for me unacceptable, implications for the future of Cammell Laird. I suggest we get together to discuss this problem in the near future.

I am sending copies of this letter to the Prime Minister, the Chief Secretary, Treasury and to Sir Robert Armstrong.

Michael Heseltine

Norman Lamont Esq MP

Privatisation Bill

27 NOV 1994

