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PRIME MINISTER

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THE FUTURE OF THE ROYAL DOCKYARDS: THE PRIVATISATION OPTION

The privatisation option has been set aside in discussions so far: the feeling in MOD has been that the dockyards' assets must remain in the public sector, because the yards are so integral to the operational effectiveness of the Fleet. There is more sentiment than logic in this view: other strategically important facilities are in private hands (Vickers) or soon will be (British Airways, the ROFs). Michael Heseltine might be open to persuasion on this point.

We favour privatisation of the dockyards, with Rosyth and Devonport to be independent of each other.

Privatisation would be neater than contractorisation. It might not require legislation. There would be no need for a separate organisation to employ the dockyard employees. The new owners, rather than MoD, would be responsible for renewing the equipment. Privatisation would also be harder for a different Administration to reverse.

Privatisation could be achieved on the same timescale as contractorisation (1987). A trading fund might be suggested as an interim step, to help establish the value of the business. But this will be established in order to contractorise, so why not privatise directly?

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