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MR TURNBULL

30 January 1985

E(A) DISCUSSION: ROYAL DOCKYARDS

E(A) was not opposed to Michael Heseltine's proposals, but it did not endorse them either. The dominant sentiment was that the proposals were complicated and difficult to understand, and present. If so many of MH's colleagues were sceptical, how would it look in Plymouth and Rosyth? We could not carry on servicing the Navy in the present inefficient way, but colleagues wondered whether contractorisation proposals would yield real financial and political benefits? It was agreed that Michael Heseltine should come back to colleagues with a draft consultation paper, which would bring out the issues in an intelligible way.

The strategic issue was raised, and disposed of. The Government has statutory powers to take over assets in emergencies; in a limited war, MoD would want to put repair work out widely, and in an all-out war, dockyards probably wouldn't survive anyway, so their ownership or management would be irrelevant.

Privatisation was generally accepted as being cleaner and more intelligible. There was some doubt that contracts to maintain dockyard assets could be enforced and it was questioned whether competitive bidding for management contracts after 4-5 years would be realistic. Michael Heseltine agreed

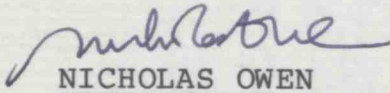
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to give greater emphasis to privatisation in the consultation paper, as one of the options.

The Prime Minister expressed concern that a "core" workload for the Navy might provide a basis for the dockyards to compete unfairly with other ship repairers. Michael Heseltine responded that a realistic rental for the dockyard assets covers this point to some extent.


NICHOLAS OWEN

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Privatisation

