



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
Ministry of Defence
Main Building
WHITEHALL
London SW1

15 February 1985

Dear Michael

PRIVATISATION OF WARSHIPBUILDING: FOREIGN OWNERSHIP

Thank you for your letter of 3 December.

I agree that Cammell Laird should be dealt with on a similar basis to the other frigate yards if it is sold as a major warshipbuilder. I also agree that it will be necessary to apply the same condition to Hall Russell as to Yarrow if these two yards are sold together.

You questioned whether my proposal not to take special measures to control subsequent transfers of ownership was consistent with our commitment on foreign ownership. I believe that it is. There is a clear difference between the situation of a company floated on the Stock Exchange and those in private hands or bought by a large company such as GEC or Trafalgar House. I regard it as unlikely that the purchasers of the warshipyards will then seek to sell any of them on to an overseas purchaser, especially in view of our clear statement that we will not permit such a sale. Indeed, once the warship yards are privatised, we shall have exactly the same influence and control over their ownership as we have over the ownership of, say, Marconi. However, in the unlikely event of a takeover bid from overseas, we would need at the time to consider how to deal with it. I think most overseas companies would regard MOD security procedures as a considerable deterrent, but if necessary I would certainly be prepared to use the powers available to this Department. I am therefore satisfied that the combination of the low probability that the problem will arise and of the various powers already available to us will be sufficient. But should the situation arise in practice our two Departments would need to consider jointly how best to deal with it.

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I am copying this letter to the Prime Minister, the Foreign Secretary, the Financial Secretary and Sir Robert Armstrong.

*Yours
Norman*

NORMAN LAMONT

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26th February 1985

Dear Norman

Thank you for your further letter of 15th February.

I am content with your proposals, on the basis that you have powers to prevent major warship yards being resold to foreign interests, should the situation arise in future.

I am copying this letter to the Prime Minister, the Foreign and Commonwealth Secretary, the Financial Secretary, Treasury, and to Sir Robert Armstrong.

Yours ever

Michael Heseltine

Norman Lamont Esq MP

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