



10 DOWNING STREET

Prime Minister

- (i) Do you want to take Warshipbuilding first? It is both more urgent and more contentious than Wage Controls.
- (ii) Mr Heselgrave and Mr Tebbit have both circulated minutes today. These are in the folder. In addition to reading these, I think you have still to read E(A)(84)32.

AT

19/6



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Secretary of State for Trade and Industry

19 June 1984

CONFIDENTIAL and
COMMERCIAL IN CONFIDENCE

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Andrew,

WARSHIPBUILDING PRIVATIZATION : E(A), 20 JUNE

My Secretary of State has just seen a copy of the Secretary of State for Defence's minute of 19 June to the Prime Minister on the above. He has asked me to say that, in the light of some of the views ascribed to Graham Day in the Defence Secretary's minute, he believes colleagues might find it useful to have sight of a copy of a letter he has received from Mr Day, which he had not originally proposed to circulate.

2 I am sending a copy of this letter, and enclosures, to the Private Secretaries of the members of E(A) and to Richard Hatfield in Sir Robert Armstrong's Office.

Yours ever,

RUTH THOMPSON
Private Secretary

JH1ALC

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jgd/mw/0618/6
18 June 1984

Rt. Hon. Norman Tebbit, MP,
Secretary of State,
Department of Trade & Industry,
1 Victoria Street,
London SW1.

Dear Secretary of State

During a meeting of the National Defence Industries Council last Thursday afternoon I was asked to speak with Mr. Heseltine following the meeting. On Friday morning I had a scheduled meeting with the Controller of the Navy to discuss areas of disagreement between British Shipbuilders' subsidiaries and MOD. Mr. Heseltine wished to discuss the Cammell Laird situation and the Controller added Cammell Laird as a first agenda item.

The Ministry of Defence is British Shipbuilders' largest customer and as such regular communication is important.

I believe Mr. Heseltine considers that the format of the paper setting out British Shipbuilders' agreed position emphasises the excess capacity issue rather than Cammell Laird. I told Mr. Heseltine that the paper accurately represents British Shipbuilders' views in response to issues we were asked to address. I assured him that these views were strictly commercial and were not the result of any external pressure.

The Controller of the Navy sought to agree the basis for the negotiation of contracts for two Type 22 frigates to be placed with Cammell Laird. I told him that British Shipbuilders were not prepared to let Cammell Laird accept any order unless the outstanding industrial relations issues are resolved as previously detailed. Cammell Laird would also require a non-competitive negotiated contract for the conversion of the "Balder London" to provide fairly immediate workload and help bridge the gap in workload prior to work starting on any Type 22 order. If Ministers were to decide collectively that the Type 22 orders were to be placed with Cammell Laird, we could agree that the most recent lapsed tender could form a basis for negotiation, subject to a number of difficult contractual points being agreed between BS and MOD.

I am concerned that no interpretation of the British Shipbuilders' position be advanced other than as set out in the agreed paper. My primary concern is that there should now be an early decision on this issue. I believe that BS's position is fully and clearly set out. Should, however, further clarification be required, I hope I may continue to furnish it to you personally and directly.

Yours sincerely
Blake

J. GRAHAM DAY

Copy sent to Sys Defence by BS.