



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
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MO 26/3/3

9th October 1984

Dear Andrew

BRITISH SHIPBUILDERS: DISPOSAL OF BROOKE MARINE

with AT The Defence Secretary has seen Ruth Thompson's letter to you of 20th September about the Omani interest in taking a large majority stake in Brooke Marine or even in buying the yard outright.

Mr Heseltine agrees that there appear to be no security or defence objections, to suitable foreign control of Brooke Marine. The yard is not one on which the Ministry of Defence is dependent to any significant degree, although it recently received an order for a coastal survey vessel. The Defence Secretary understands the apprehensions of DTI Ministers, in connection with the impression which could be created by the sale of a controlling interest in Brooke Marine (or any other warship yard) to an overseas Government. This could all too easily provide the critics of privatisation with a ready-made focus for opposition. On balance, and noting that the stated Omani interest is in taking a large majority stake in Brooke Marine, he is inclined to agree that the stake should be limited to one which does not give a controlling interest to overseas investors. Whether or not a minority stake as high as the 30-40% suggested in Ruth Thompson's letter would meet the object of the restriction will depend on how ownership of the remaining 60-70% is split: the Omanis could still end up in effective control.

On the question addressed in paragraph 9 of Ruth Thompson's letter (restrictions on onward sales) Mr Heseltine is content with the DTI proposals as they affect the case of Brooke Marine. But he will wish to consider carefully whether this line will be sufficient in the case of the main warshipbuilding yards.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry and Sir Robert Armstrong.

Yours ever
Simon Lowe
 (S H LOWE)
 Private Secretary

Andrew Turnbull Esq

Shipman

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