



10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

ORDERS FOR FRIGATES

The Prime Minister was grateful for your minute of 24 January (A085/258) attaching a note on the proposal for resolving the problem discussed at Cabinet yesterday.

You told the Prime Minister that you had received three comments on this from Departments:-

- (i) The Ministry of Defence had suggested an amendment to paragraph 2(4) indicating that not only the amount required to keep open the option to privatise Cammell Laird but also its distribution between the programmes of the Secretaries of State for Defence and Trade and Industry was a matter for future discussion. The Prime Minister was quite clear that she had agreed with the Secretary of State for Defence that his programme would bear the whole of such a sum; and that this amendment should be rejected.
- (ii) It had also been suggested that a sentence should be added to paragraph 2(4) to make clear that there might be additional costs from letting the Type 23/02 contract to Swan Hunters on a non-competitive tender and that the Defence Budget would bear this. The Prime Minister agreed to this amendment.
- (iii) It had been suggested that an additional paragraph should be inserted after paragraph 4 to make clear that there would also be an adverse effect on the receipts of privatisation of Yarrow; and that, to contain this, a public assurance should be given that the Type 23/03 contract would be let on the outcome of a competitive tendering process. The Prime Minister agreed to this amendment.

The Prime Minister authorised you to circulate the note to members of the Cabinet under a minute indicating that, unless Cabinet Ministers let you know to the contrary by early next week, she would assume that the proposal was agreed.

F.R.B.

25 January 1985