



CONFIDENTIAL

Reference No: E 0538

Mr Gray

1. MR WILSON ✓

2. MR GRAY

I fully agree. I have checked my own notes and they record the same thing as Mr Meyer, virtually verbatim.

*Rgs.
17+*

Shipbuilding

file with PG

You asked if the point made in Mr Crawley's letter of 14 April is consistent with my recollection.

2. It is not. My detailed notes of the meeting record Mr Rifkind as saying that work on the current Ferguson's order, the Caledonian McBrayne ferry, would run out next year, and that he accepted that the yard would then close. The point he was trying to establish was that no explicit announcement should be made to that effect now. This point was accepted, but the Chancellor added the rider that Ferguson's should meanwhile take no more orders. Mr Rifkind did not disagree with this but repeated that work at the yard should reduce gradually, without fuss.

3. The meeting did not say, as the Scottish office now allege, that Fergusons should not be allowed to take orders 'on any basis other than that which is available to other yards in the UK'. Nor was there any reference to an order for Mauritius.

4. There is a more general consideration in dealing with this letter. The whole issue of shipbuilding policy may come to the boil next week. There is a complicated interplay between the DTI, Treasury, Scottish Office and Northern Ireland Office. Any concessions to the Scots could have a disturbing effect on this. DTI for example tell me that they are unhappy about Mr Rifkind's proposal because the Mauritius order, even though it was not backed by Intervention Fund support (but by support from the Aid

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programme) would keep the yard open for another year at a loss of £3m. They are also unsure about the meaning of the statement that Fergusons could accept orders on the basis available to other yards in the UK, when for example the private sector yards will have access to the Intervention Fund for the time being.

5. In short, the Scottish Office letter is an attempt to improve their position in the discussions now imminent, in the guise of an unjustified comment on the minutes. I suggest that Mr Gray might deal with it by reaffirming the minutes, and saying that if Mr Rifkind wishes to pursue the proposals in the letter he should in the first place discuss them with the Chancellor of the Exchequer and the Chancellor of the Duchy.

G W MONGER

Economic Secretariat
15 April 1988

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SCOTTISH OFFICE
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Paul Gray Esq
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14 April 1988

Dear Paul,

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SHIPBUILDING

My Secretary of State has asked me to comment on one point in your record of the meeting of 31 March.

In relation to the Ferguson yard at Greenock, my Secretary of State had understood the group to have agreed that it should not be allowed to take on new orders on any basis other than that which is available to other yards in the UK ie which would meet the restrictions on Intervention Fund support which would apply generally. Clearly this will make it relatively unlikely that any new orders would be forthcoming but to place a prohibition on any new orders would become publicly known and would have the same effect as an announcement of closure, which the group agreed would be unwise particularly in the context of the new Enterprise Zone and other measures being taken in Inverclyde. The end result may well be the same, but will be achieved with less potential for disruption at the yard or of the Government's wider efforts in Inverclyde. In the meantime, the yard could be in a position to secure an order for a small ferry for Mauritius for which no support would be required other than an aid package which has already been offered, if Ferguson's, which is the only UK yard in contention, wins the contract.

Copies of this letter go to the recipients of yours.

Yours sincerely,
David Crawley
DAVID CRAWLEY
Private Secretary

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