



CONFIDENTIAL

Mr Gony
You may find this
background helpful.
A.J. 15/7/71.

Reference No: E 0537

MR WILSON

cc Mr Neilson

Shipbuilding

Mr Coates of DTI rang to say that the Chancellor of the Duchy wants to make a statement on Thursday 21 April, and will circulate a draft on Monday or Tuesday.

2. The immediate reason for the statement is that something must be said about the negotiations with Kvaerner. This is partly because they are or will soon become public knowledge - Radio Scotland already know about them and are saying nothing. It is also because Kvaerner themselves want an announcement since before they can finally decide whether to buy the yard they need to know the views of the unions on their plans for the labour force. These envisage a cut in it to 1300, and an end to arrangements for dealing with laid off workers which are very similar to those in the Dock Labour Scheme.

3. The prospects for the statement are however complicated by an intense argument that has suddenly developed with the Treasury, who are now insisting that DTI and the Scottish office should between them fund the dowry. Mr Coates said that the Chancellor of the Duchy will resist this strongly.

4. The minimum statement would be one that simply said that negotiations with Kvaerner are under way. Mr Clarke would however like it also to announce that no more support will be provided for yards remaining in BS ownership. It is not clear however whether this would be possible on 21 April. One question important to DTI is whether Mr King would be willing to make a simultaneous 'robust' statement about Harland & Wolff which would in some way mention the possibility of closure there, even if it did not slam the door completely on negotiations with Mr Tikkoo. BS are

CONFIDENTIAL



CONFIDENTIAL

apparently inclined to make an issue of the need for equal treatment of Great Britain and Northern Ireland. Mr Lister's resignation has even been mentioned as a possibility if such equality is not seen to happen. Mr Clarke seems to be pulled two ways: between the wish for an announcement on 21 April that would settle the position of BS; and the wish for perceived equality of treatment for Harlands, which Mr King will probably not be willing to announce on 21st (if ever).

5. As to Sunderland, recent talks between Mr Johanssen and ECGD have shown tht Mr Johanssen has reasonable grounds for behaving as he has and that he cannot be put in default at present. An arbitration procedure involving Germanische Lloyd may be agreed. Any announcement would therefore probably not say anything specific about Sunderland, although it would of course be covered by any general passage about BS.

6. Mr Coates said that Mr Gray knew of Mr Clarke's intention and is trying to find time for a suitable discussion. He might however find it helpful to have this further explanation of the points at issue.

GD

G W MONGER

Economic Secretariat
15 April 1988

CONFIDENTIAL