



PM/88/018

THE PRIME MINISTER

mh
 Dick Rindin
 CDD
 STS

St Helena Ship: Hall Russell Ltd

AT HEAD OF PT 13

1. My minute of 30 March explained our problems over the contract with Hall Russell of Aberdeen for the new St Helena ship.
2. Contrary to our earlier expectations, Hall Russell have resolved their performance guarantee problems with their bankers. They have achieved this by securing a counter-guarantee from another bank. The threat of the termination of their contract and of the imminent closure of the company has thus receded.
3. This vindicates the firm line we have taken with the company on arranging proper performance guarantees. Despite this, however, Hall Russell's financial position remains precarious. Further problems could well arise before the St Helena ship is completed. Meanwhile, the Scottish Development Agency is looking at ways of strengthening the company.
4. I am copying this minute to Malcolm Rifkind and Lord Young.

(GEOFFREY HOWE)



NAT TWO

SCHUBERTS POLICY P14

