

dti

the department for Enterprise

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The Rt. Hon. Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

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Our ref

Your ref

Date 6 May 1988

Dear Chief Secretary,

BRITISH SHIPBUILDERS

Thank you for your letter of 4 May. *with PG*

I welcome your acceptance that the costs of closure of British Shipbuilders, including the costs of disposal of Govan and other disposal and closure costs, should be met by the Reserve.

As I said when we met, in view of pressures on the Reserve this year, I am prepared to take on the costs in 1988-89 of advance factory provision in the context of decisions on closure. Given the reduced scale of advance factory building agreed by colleagues, and the time it will take to get a £7½ million programme under way, I would not expect to be able to spend more than £2-3 million in 1988-89. On the understanding that these costs will be carried through the proposed BS Enterprise Company, the later years' costs will need to be considered as part of BS's overall finances in the Investment and Financing Review.

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Your letter however proposes that I should also pick up the current year costs of the enterprise package in England. This was not part of my proposal. These costs are intimately associated with the closure decision itself, and bear little relation to my Department's main programmes. I should therefore like to go back to the position I thought we had agreed, that the Exchequer and my Department should share the indirect costs in England in 1988-89, with DTI accepting the factory costs and the Reserve the rest.

I am not of course able to speak for Malcolm Rifkind in respect of Scottish closure costs.

I am sending copies of this letter to the Prime Minister, David Young, Malcolm Rifkind, Tom King and Nicholas Ridley, and to Sir Robin Butler.

Your sincerely,

Peter Smith

PP

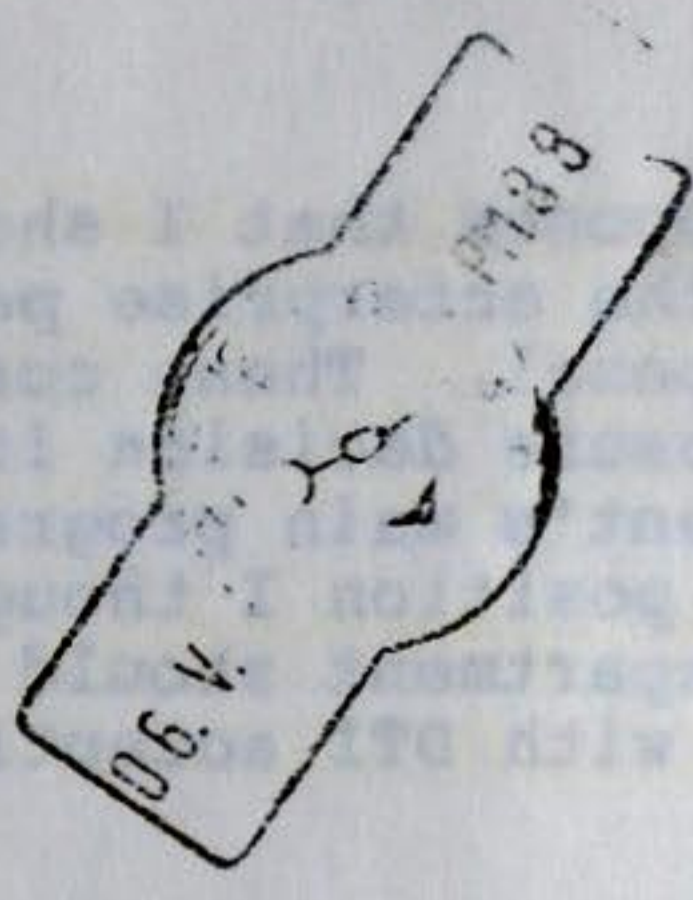
KENNETH CLARKE

(Approved by the Chancellor and signed in his absence)

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Yours sincerely,
Ken Clarke

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